# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,086 — Monday November 17 1986 — D 8523 B


Europe's shipyards battle to stay afloat, Page 4

World news | Business summary

## Abduction deepens Manila crisis

Hundreds of police and soldiers searched the Manila region of the Philippines for gunmen who kidnapped a Japanese businessman in the second major crime to rock the government in four days.

A general strike has been set for today in Manila to protest against the murder last Thursday of leftwing leader Rulando Olalia. President Corazon Aquino spent two hours with top advisors discussing the Olalia's murder and the abduction of Noboyuki Wakaoii, head of the Philippines branch of the Mitsui Company.

Japan last week played host to Aquino and pledged hundreds of millions of dollars in aid and investment for the Philippines. Page 4

### Pacific violence

French Prime Minister Jacques Chirac called off a meeting with the leader of the independence movement in France's south Pacific territory of New Caledonia following a new outbreak of violence there in which a 14 year-old boy was shot dead and 14 people were wounded.

### S Africa shooting

South African police shot dead a black man and injured six people when they dispersed a crowd in Durban with teargas and birdshot. The government's Bureau for Information said the crowd had surrounded a police vehicle after a black union meeting.

### Israeli attack

Israeli jets attacked a Palestinian guerrilla naval base near the port of Sidon in southern Lebanon a day after a Jewish student was fatally stabbed in Jerusalem by Arab guerrillas.

### IBM office bombed

A bomb exploded at an IBM computer research centre in Heidelberg, West Germany, causing extensive damage but no injuries. Police said they believed left-wing extremists were responsible.

### Beirut clashes

Palestinians and Shi'ite Moslems fought for the 20th successive day at Beirut's Bourj al-Bareineh refugee camp, where at least 37 people have been killed in the past month despite Syrian-mediated ceasefires.

### Hawke prediction

Australian Prime Minister Bob Hawke said the country's economy would improve next year, but he had no intention of calling an election before the end of his term of office in 1988.

### US airman jailed

American airman Eugene Hasenfus was sentenced to 30 years in prison after a Nicaraguan people's tribunal found him guilty of involvement in efforts "to submit the nation to foreign domination." Page 3

### Ex-ministers killed

Two former ministers in the cabinet of Lesotho's deposed Premier Chief Jonathan were abducted with their wives and another man and shot dead.

### Soviet sackings

Three senior marine officials have been sacked over the sinking of the Soviet passenger liner Admiral Nakhimov in August with the loss of nearly 400 lives.

### Asia summit call

South Asian leaders began a summit conference in Bangalore, India, with a call to combat terrorism in the Indian subcontinent. Page 2

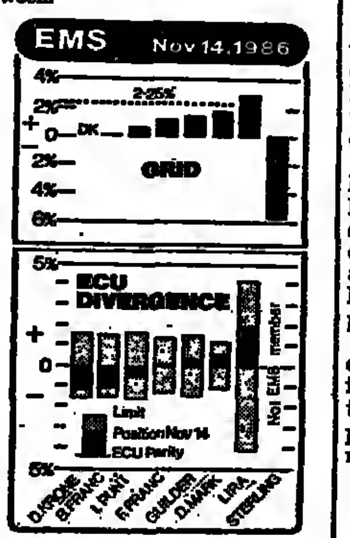
### Volcano erupts

Mount Mihara, an island volcano 100km (62 miles) south of Tokyo, erupted for the first time for 12 years. Japan's meteorological agency said there was no immediate danger to the island's 11,000 population.

## Toshiba, Motorola discuss links

TOSHIBA of Japan and Motorola of the US, two of the world's leading producers of semiconductors, are discussing collaboration in Japan. Page 23

EUROPEAN Monetary System: The strength of the D-Mark put further pressure on weaker members of the EMS last week. A move out of US dollars and into the D-Mark depressed the two weakest members, the Danish krone and Belgian franc. Further strains developed as the Dutch guilder improved quite sharply. The Danish krone was placed at 53 per cent of its maximum allowable divergence compared with 49 per cent the previous week.




*The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.*

FERMENTA: The future ownership of Fermenta, Swedish antibiotics and animal health group, was plunged into fresh uncertainty when Procordia, Swedish state holding company, pulled out of the planned deal which would have established it as the dominant shareholder in the troubled group. Page 26

BANKAMERICA, the troubled US banking group struggling to fight a takeover approach by First Interstate, produced details of its plans to restructure its operations and to reduce its worldwide staff by 5,000. Page 23

SETTSU, Japan's leading paperboard maker, has agreed to acquire a 21.5 per cent stake in Caraustar Industries, the US paper maker, for about Y5bn ($31m). Page 26

LONDON Stock Exchange has ironed out nearly all the bugs in its Talisman computer system with just 500 of the 240,000 equity bargains since Big Bang, or deregulation, left to be processed. Page 7

SWISS city of Zurich today introduces a new type of private placement, in which a public authority borrowing is linked to warrants on the equity of a listed company. Page 26

BRITISH GAS: The opposition Labour party accused the British Government of underpricing shares to give foreign speculators and institutions windfall profits after privatisation. Page 7

UK GOVERNMENT is considering increased spending on the civilian space budget in order to participate in several European Space Agency programmes. Page 5

RENAULT, French state-owned motor group, is expected to transfer the 42 per cent stake it owns in Mack Trucks, US heavy duty lorry manufacturer, to Renault Vehicules Industriels (RVI), its loss-making truck subsidiary, as part of a FFr 3bn ($450m) refinancing operation. Page 26

# Boesky case may curb spate of US takeover deals

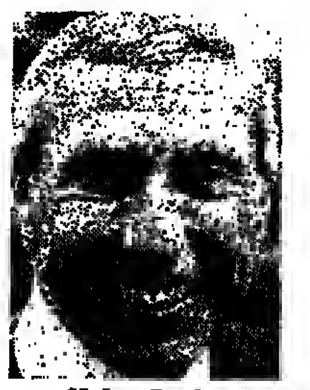
BY WILLIAM HALL AND RODERICK ORAM IN NEW YORK

WALL STREET will today start picking up the pieces from its biggest financial scandal in recent years, after the announcement on Friday that Mr Ivan Boesky, one of New York's biggest and best known individual investors, is to pay a $100m penalty for insider trading offences.

One effect of this may be to stem the frenzied spate of takeovers which has gripped Wall Street in recent months. The revelations by the Securities and Exchange Commission about Mr Boesky's illegal activities in the biggest insider trading case in US history will dampen, at least temporarily, some of the hectic speculation in rumoured and confirmed takeover targets which have been the main force behind the market's recovery from its precipitous decline in mid-September.

The sheer size of the deals and Mr Boesky's prominence are also likely to cause widespread concern outside Wall Street about the honesty of the US financial markets and could lead to calls for tougher legislation to outlaw the markets' perceived abuses.

Mr Boesky, who is understood to control over $2bn of investment funds with which he arbitraged takeover stock, attracted such prominence on Wall Street that the mere mention that he was buying into a particular company was sufficient to send the shares sharply higher.



Mr Ivan Boesky

He was the most successful member of the US arbitrage community, high-risk specialists who are estimated to be gambling up to $15bn on the outcome of the plethora of takeovers which are now reshaping the US corporate landscape.

Wall Street experts predict that arbitrageurs are now likely to find their sources of information, which are critical to their assessment of takeover situations, much more reticent in the wake of Mr Boesky's ignominous downfall. The same result was apparent earlier this year after Mr Dennis Levine, a managing director of Drexel Burnham Lambert, the fast expanding New York investment bank, was arrested for making $12.6m profits on over 50 insider trading actions over a six-year period.

In a bid to avoid being sent to jail, Mr Levine had admitted to the SEC that he had sold inside information, which he had collected from a network of contacts in several leading Wall Street firms, to Mr Boesky over an 18-month period.

The SEC announced late on Friday that Mr Boesky had agreed to return $50m profits from trading on inside information provided by Mr Dennis Levine, to pay a $50m penalty and to be barred from the US securities industry for life.

Several leading Wall Street investment bankers indicated over the weekend that they were nervously awaiting a public backlash after the revelation of Mr Boesky's insider dealings in some of the biggest takeover bids in recent years. Mr Donald Marron, chairman of the Paine Webber group, said yesterday that the Boesky affair was "an open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The Greed of Wall Street, Page 20; Insider trading, Lex, Life of the Arbitrageur, Page 22


## London exchange to review Cambrian listing

By David Lascelles in London

THE Securities Exchange Commission (SEC) has passed information about the Boesky case to the Department of Trade in the UK, where Mr Ivan Boesky was active as an investor and arbitrageur. Details were given under the terms of the recently signed information-sharing agreement between the UK and the US, designed to crack down on insider trading.

The ban imposed on Mr Boesky by the SEC has plunged into uncertainty the interests associated with him in the UK, notably Cambrian and General Securities, the large publicly quoted investment trust, through which he conducted many of his arbitrage activities.

The Stock Exchange's quotations committee will meet today and is to consider the continued listing of the company on the exchange and whether Mr Boesky is fit to remain its chairman. It was thought likely last night that the shares would at least be suspended until the position of the company was clarified.

Mr Boesky will also effectively be barred from dealing in London's securities markets because he will be put on the Stock Exchange's list of people with whom its members are not advised to do business.

Until the weekend, Mr Boesky owned about 12 per cent of the company's ordinary shares, worth about £7m at Friday's close. He also held 80 per cent of its capital shares, worth £19m, giving him nearly 30 per cent of the voting stock. Under the deal with the SEC, these have now been handed over to the US Government, which thus becomes Cambrian's dominant shareholder.

Investment analysts last night considered it unlikely that the value of Cambrian shares would be badly hit because the trust's assets consist mainly of shares in other companies not affected by Mr Boesky's downfall. If they did decline, it would be through Mr Boesky's loss of mystique.

However, as with most investment trusts, Cambrian shares have been trading at a deep discount from the company's net asset value. The price at the close on Friday, still not known, was 130p for the ordinary shares compared with net asset value per share of 190p reported by the company in June. There would, therefore, be a substantial profit for shareholders if the scandal led to an early winding up of the company. Because of this, some analysts feel Cambrian's price could rise sharply when trading resumes.

Cambrian managed £377m of assets when it last reported in May and had a net asset value of £122m.

# Reagan aide may refuse to testify on arms

BY LIONEL BARBER IN WASHINGTON

PRESIDENT REAGAN'S National Security Adviser, Vice Admiral John Poindexter, the White House official at the centre of the controversy over secret US arms shipments to Iran, made it clear yesterday that he will refuse to testify on oath to Congress about his role in the affair.

Admiral Poindexter, who appeared on television as part of the Reagan Administration's attempts to defend its Iran policy, is likely to claim executive privilege. Previous US National Security Advisers have taken this path in the past but it could leave Admiral Poindexter exposed to further criticism.

The Senate intelligence committee is likely to begin private hearings this week into the arms-for-hostages row, which has turned into a major issue touching on the President's competence and his handling of foreign policy.

Mr Reagan is facing attacks from within his own Republican Party and the Democratic Party, which has sensed that the President has for once failed to rally American public opinion behind him.

A poll by the American Broadcasting Corporation revealed this weekend that 79 per cent of those questioned disapproved of the covert arms shipments to Iran, only 33 per cent believed the President's claim that there was no arms-for-hostages barter, and 64 per cent thought the shipments increased the chance of more American hostages being taken.

IRAQ said eight people were killed and 37 wounded by Iranian artillery shelling of Iraqi border towns. Two Iranian petrochemical plants and several nearby camps of Iranian Revolutionary Guards were attacked by Iraqi jets.

There are signs of disarray and disagreement within the White House over the Iran affair. Mr Donald Regan, White House chief of staff and a target of the growing criticism, said in a New York Times interview: "Some of us are like a shovel brigade that follow a parade down Main Street cleaning up."

Admiral Poindexter dissociated himself from this remark, saying that he took exception to Mr Regan's definition of the White House staff's role.

The Vice Admiral confirmed that the joint chiefs of staff had not been informed of the secret arms shipments, which were sent over a period of 11 months. Congress was similarly not informed.

It was not a military operation, Admiral Poindexter said and so it had not been necessary to inform the joint chiefs. He also defended the decision not to inform Congress, saying it was within the President's powers to withhold sensitive infor-


Italy warns on arms deals, Page 2

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# Washington backing for Thatcher on Trident

BY LIONEL BARBER IN WASHINGTON AND PETER RIDDELL IN LONDON

MRS MARGARET THATCHER, the British Prime Minister, has secured full US support for modernising Britain's independent nuclear deterrent with the Trident missile system, after weekend talks with President Reagan.

Mrs Thatcher returned to London yesterday with the public reassurance she had sought, both about Trident and about US nuclear policy. Mr Reagan told Mrs Thatcher that the US will not press for the abolition of all long-range ballistic missiles during arms talks with the Soviet Union.

Britain, along with other Nato allies such as West Germany, had expressed unease about the sweeping arms control proposals canvassed at last month's US/Soviet meeting at Reykjavik.

This had led to warnings that deep cuts would leave Europe more exposed to Soviet superiority in conventional forces, while leading to charges by opposition leaders in Britain that the future of Trident, due to come into operation in the early 1990's might now be in doubt.

Mrs Thatcher can now point to a specific commitment agreed with President Reagan after their meeting at his Camp David mountain retreat. This point will be emphasised by the Tories ahead of the election.

The joint communique notes that "the president reaffirmed the US intention of proceeding with its strategic modernisation programme, including Trident. He also confirmed his full support for the arrangements made to modernise Britain's independent nuclear deterrent with Trident."

The leaders agreed on the importance of eliminating disparities in conventional forces as well as reducing nuclear weapons. "Nuclear weapons cannot be dealt with in isolation, given the need for stable overall balance at all times."

The communique sets out "priorities on arms control", notably an agreement on intermediate-range missiles, restraints on shorter-range systems, a 50 per cent cut over five years in US and Soviet strategic offensive weapons and a ban on chemical weapons, involving effective verifications as an essential element.

Afterwards, Mrs Thatcher said she believed this process would take quite a time. She added in a BBC interview that it was necessary to put the position on Trident "on the record absolutely clear" so there could be no question of people saying Britain was not going to go ahead with the new system.

The communique was criticised yesterday by British opposition leaders. Interviewed on the BBC's This Week Next Week programme, Mr Denis Healey, Labour's shadow Foreign Secretary, said it was "inconceivable folly" for Britain to increase its strategic capability eightfold when deep cuts in US and Soviet forces were in prospect.

# UK plays down Iran link with Land Rover

BY JOHN GRIFFITHS IN LONDON

UK GOVERNMENT officials were unperturbed last night by disclosures that Land Rover is negotiating to sell 3,000 Land Rovers which almost certainly would be destined for military use by Iran.

They appeared to discount suggestions over the weekend that the Prime Minister, Mrs Thatcher, could be embarrassed, in Washington, by news of the potential sale, in the light of the uproar over the disclosure of US arms sales to Iran.

Both the Department of Trade and Industry (DTI) which handles export licences of equipment or goods considered 'sensitive,' and the Foreign Office stressed that Land Rover had yet to approach them over the possible contract.

However, over half of all Land Rover sales are military, and since the vehicle's launch in the 1940s sales have broadened to cover about 180 countries.

Its history has led the vehicle to be not usually considered as specific fighting equipment, even though it can be fitted with an armaments platform.

The potential contract, therefore, is considered unlikely to fall foul of Foreign Office, and indeed NATO, guidelines which oppose the sale of arms or equipment which could alter the balance of power between Iran and Iraq or prolong the war.

Land Rover itself acknowledged yesterday that it had supplied a detailed quotation for 3,000 "110" models for £27.5m ($39m) to a London agency, although it declined to com-


**Continued on Page 22**


# Opec 'may need output cuts' to achieve $18 target price

BY RICHARD JOHNS IN QUITO

ORGANISATION of Petroleum Exporting Countries members may have to cut back crude oil production by between 700,000 and 800,000 barrels a day in order to achieve the $18-a-barrel fixed reference price recommended by Opec's pricing committee meeting in Quito late on Friday, according to industry analysts.

Opec members currently produce about 17m barrels of crude oil a day and have been seeking to push up the crude oil price from the current $14-$15.70 a barrel level while also increasing Opec's market share.

By adopting this two-pronged strategy the pricing committee, chaired by Sheik Ali Khalifa al Sabah, Kuwait's oil minister, and which also includes the chief delegates from Ecuador and Libya, has effectively endorsed the new oil policy of Saudi Arabia and its partners in the Gulf Co-Operation Council.

Independent market analysts, however, regard the stategy as contradictory and believe Opec advisers, who are due to meet in Vienna on Wednesday, may, as in the past, be forced to conclude that there is little chance of implementing the pricing committee's recommendations without a reduction in output.

The committee proposals will be submitted to other member states first at the Vienna meeting and then at Opec's next full Ministerial conference due to take place in Geneva on December 11 where they are almost certain to be endorsed, despite the expected reservations of the Opec advisers.

Sheikh Ali Khalifa, asked after the pricing committee meeting when fixed oil prices might be restored, said: "We are recommending a prompt application. Now whether that means tomorrow or two weeks from today I think is not for us to decide as members of the pricing committee."

The urgency implied by Sheikh Ali Khalifa was clearly out of respect for King Fahd of Saudi Arabia's demand for an immediate adoption of a $18 per barrel price an abrupt stipulation which led to the dismissal of Sheikh Ahmed Zaki Yamani, the long-serving Saudi Minister of Oil.

In practice the earliest starting date would be the beginning of 1987, because of the Complexities of Reaching the detailed agreement, other delegates suggest.

Sheikh Ali Khalifa said that it was "not necessarily wishful thinking" to believe that the prices could be set at $18, without a reduction in output. He suggested that strict observance of official selling prices might actually control the level of Opec's collective production.

But industry executives, drawing on past experience, were sceptical about members' determination and ability to stick to fixed prices.



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# Plans for milk curbs top EEC farm agenda

BY TIM DICKSON IN BRUSSELS

EUROPE'S farm ministers gather here today for what promises to be one of their most difficult meetings since the tortuous price negotiations early this year. A combination of market pressures in the milk sector and national apecial pleading for lamb producers is likely to dominate what is an unusually busy agenda.

Moreover, with only one scheduled meeting left before the end of his six-month spell in the "presidency" chair, Mr Michael Jopling, Britain's Agriculture Minister, will be hoping to speed up the hitharto leisurely pace of Common Agricultural Policy reform.

By far the most important item in the discussions will be the European Commission's new plans to curb milk surpluses. Tha agriculture commissioner, Mr Frans Andriessen, said last week that EEC dairy farmers were producing at least 10 per cent more milk than Community consumers and third country customers currently required, and that he expected rapid political agreement on at least some of the Commission's proposals for reducing output.

Ideas have been on the table since September for stopping guaranteed Community purchases of skimmed milk powder during the winter months and suspending purchases of butter and skimmed milk powder "in exceptional circumstances." And last week, the Commission spelt out tough new plans for cutting the system of milk quotas by 3 per cent more than previously envisaged over the next two years and significantly tightening existing loopholes.

In particular, the Commission

Mr Andriessen: looking for rapid agreement

wants to make farmers individually responsible for keeping within their milk quotas, thereby preventing those who over-produce escaping the penalties of the so-called super levy.

Diplomats in Brussels indicated this weekend that member states are at least agreed on the urgency of the problem. But it was pointed out that the ministers may prefer to opt for even deeper quota cuts in return for retaining some of the current flexibility of the system.

If recent farm meetings are any guide, a lot of time today could be devoted to the politically sensitive issues of "green" currencies—the rates at which common EEC support prices are translated from Ecus into national currencies—and the complex regime of monetary compensatory amounts, (essentially taxes and subsidies on cross-border trade).

The European Commission meets early this morning to discuss last month's request by the British and French governments for devaluations in the green pound and the green franc — measures which, if granted, would boost domestic farm prices in each country.

There is also speculation that the Commission will announce a new negative MCA on British lamb in an effort to appease French lamb producers. This would represent a tax on exports and a subsidy on imports.

Thanks to the sharp depreciation of sterling against other European currencies (more than 20 per cent this year), large quantities of British lamb are being sold into the French market, thereby depressing prices, according to local farmers.

# South Asian leaders in pact to halt drug supply

By John Elliott in Bangalore

SEVEN South Asian countries which together handle a large proportion of the supply of narcotics to Europe and the US have agreed to co-operate on a series of measures aimed at curbing production and distribution of drugs.

They have also started an initiative to curb terrorism and are moving slowly towards co-operation on trade and other economic aspects.

This emerged yesterday at the start of the second two-day summit of the South Asian Association for Regional Co-operation in the southern Indian city of Bangalore.

In addition to India, the other countries are Bangladesh, Bhutan, the Maldives, Nepal, Pakistan and Sri Lanka.

Pakistan is worst hit by the drug problem because it provides a distribution route both from Afghanistan and its own production areas in the far north through the southern port of Karachi. Domestically it has suffered with a rapidly rising number of addicts, up from a small number three years ago to well above official estimates of 400,000.

India and Nepal are also on distribution routes and Bangladesh has recently discovered its southern port of Chittagong is being used as an outlet, partly because of a clampdown in the main Golden Triangle area of South East Asia.

Pakistan is to take the lead for the summit in drawing up a 10-point programme of work which, for the first time, is intended to include the countries exchanging information on trafficking and abuse.

In the longer term the countries have agreed to harmonise legislation, to switch production areas to other types of farming, and to confiscate and forfeit drug traffickers' assets.

On terrorism the countries have agreed to abide by UN resolution 2625 which Mr Rajiv Gandhi, the Indian Prime Minister, yesterday interpreted as meaning that "each of us must do nothing to condone terrorism or give aid and comfort to terrorists."

India now has to decide whether this means it should evict leaders of Tamil extremist groups from Sri Lanka living in the southern Indian city of Madras.

● Indian and Sri Lankan leaders were locked in talks in Bangalore last night aimed at finding a peaceful solution to Sri Lanka's Tamil conflict. Mr Gandhi hopes to announce an initiative today when the summit ends.

# Iran arms deals may harm US links with Europe, warns Italy

BY JOHN WYLES IN ROME

MR GIOVANNI SPADOLINI, the Italian Defence Minister, warned yesterday that revelations about secret US arms supplies to Iran could harm US relations with its European allies, especially Italy.

Mr Spadolini said that if the accusations against the White House were proved, including the export of weapons through Italian ports, "there will be no shortage of political problems between the US and Europe and between America and Italy."

His reaction is significant because he has long been the strongest defender of US policies in the Italian administration. He caused a political crisis last year when he resgned over the handling by Mr Bettino Craxi, the Prime Minister, of the Achille Lauro hijacking affair which caused open conflict between Rome and Washington.

Reports that US deliveries of arms to Iran have been channelled through the Italian ports of Talamona and Ortono are causing tha Government growing embarrassment.

The Radical Party has called for Mr Spadolini's resignation, claiming that the Government and the Secret Service must have known about the shipments.

Mr Spadolini's Republican Party, anxious to defend its leader, has called for a parliamentary investigation into possible Italian involvement.

Tha impression of disarray at the top of the Government and that there is more to be learned from the Italian side has been strengthened by Mr Craxi's request to five ministers to be told everything they know about the affair.

Mr Spadolini, in remarks to journalists during a flight to Saudi Arabia, which were published yesterday, denied any knowledge of covert arms traffic.

But soma of his replies were ambiguous and seemed directed at placing responsibility for any Secret Service involvement on Mr Craix.

He stressed that if any arms for Iran had originated from US bases in Italy, this was an "improper use" of Nato facilities.

● Mr Yasuhiro Nakasone, the Japanese Prime Minister, joined in secret moves to try to secure the release of US hostages held by pro-Iranian groups in Lebanon by sending two special envoys to Tehran, the mass-circulation daily newspaper, Asahi Shimbun, said yesterday, Reuter reports from Tokyo.

# Moscow to ease path for private enterprise

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET Parliament will today consider a law allowing limited private enterprise by individuals whose activities have hitherto been illegal. The purpose of the legislation, details of which have not been disclosed, is to allow people using their own labour to operate legally to provide services, or to manufacture special articles produced in inadequate quantities by the state.

This could allow individuals to open cafes, repair shops and possibly operate taxis. The Government has had difficulty, however, in drawing up legislation which will allow individual or co-operative labour but still prevent businesses employing other people or what it considers black market activities.

At the moment, many services such as house repair, tailoring and car maintenance can only be obtained through hiring workers illegally, usually at high cost.

The Supreme Soviet, the Soviet Parliament, may either approve the law or pass it on for expert consideration. Soviet economists have argued that if workers making high incomes from individual work can operate legally, then the state should introduce a progressive tax on their earnings. The highest existing rate of tax is 13 per cent.

Supporters of the law argue that such limited private enterprise is not undermining socialism. Mr Alexander Levikov, economics editor of the daily Literaturnaya Gazeta, wrote recently that in East Germany "two-thirds of services are provided by handicraftsmen. Parallel with the state-run service, there are 82,000 private enterprises and 3,000 co-operatives."

The most common form of legal private enterprise in the Soviet Union are the private plots which take up 8 per cent of the land and have an annual output of Roubles 21bn (£21bn). Although the area used is not very large, the private plots are labour intensive, growing potatoes, vegetables and fruit or rearing cows, pigs and sheep.

Reuter adds: Mr Mikhail Gorbachev yesterday called for a powerful leap in industry to improve product quality and woo Soviet consumers away from a preference for "made in the West" labels. He was speaking on the work of a new quality control inspectorate.

# Sandoz chief 'will not quit'

By John Wicks in Zurich

MR MARC MORET, the chairman and managing director of the Swiss chemical concern Sandoz, has said he has no intention of resigning because of the fire at the beginning of the month at a factory belonging to the company.

Chemicals escaped into the Rhine causing large-scale pollution and serious criticism of both Sandoz and the Swiss authorities. There were demonstrations at the weekend in Basle.

Mr Moret said that his resignation would be the easiest way out." He would, instead, carry out his duty and "repair the consequences of the disaster.

In a newspaper interview, he said that neither he nor company experts could yet estimate the loss to the company which would result from the fire. However, he stressed that damages would pose no problem for Sandoz, regardless of their extent.

He denied that the company had saved money on safety precautions in connection with a corporate cost-reduction programme. Safety had not been affected, he said.

# Shamir denial over Vanunu

ISRAELI Prime Minister Mr Yitzhak Shamir said yesterday Israel did not break any British laws in bringing nuclear technician Mr Mordechai Vanunu home, Reuter reports from Tel Aviv.

Speaking on Israel Radio he said: "I hope that there won't be any more bother with this matter. There really wasn't any reason for the British to be worried."

Britain has been pressing Israel to explain how Mr Vanunu reached Israel after passing alleged nuclear secrets to a London newspaper.

# France rules out military intervention in Chad

BY PETER BLACKBURN IN LOME

FRANCE has ruled out military intervention in Chad following fresh fighting between the forces of former rebel leader Mr Goukouni Oueddei and the Libyans in the north east of the country.

Speaking at the end of tha Franco-African summit in Togo at the weekend, President Francois Mitterrand said France would not be "dragged along . . . there is no question of French military intervention north of the 16th parallel."

He confirmed that President Hissene Habre of Chad had apparently sent forces to help the former rebel leader.

President Habre described the situation in northern Chad as "dramatic," alleging that the Libyans were destroying entire villages in a policy of "effective genocide."

"We shall accept any help—even from the devil, even from the Soviet Union—to recover the north," President Habre said.

He said he was disappointed by the French decision not to provide air cover or other military aid above the 1983 partition line.

France has 1,200 troops in southern Chad as a deterrent force. French officials stressed that a frontal assault in the north was hazardous and probably unnecessary in view of the gathering political momentum in President Habre's favour.

President Habre said the former rebel leader Mr Oueddei had "completely cut links" with Libya and joined forces with the government. This reconciliation meant the pretext for continued Libyan presence in northern Chad had disappeared, he said.

Mr Oueddei is under hospital guard in Tripoli after being wounded in a shoot-out with Libyan soldiers last month.

The mainly off-stage talks on Chad at the summit have overshadowed President Mitterrand's renewed call for a Marshall Plan to help promote African economic recovery.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: R.A. Harper, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd. 1986.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

# Assad proposes world body to define terrorism

By Louis Fares in Damascus

PRESIDENT Hafez al-Assad of Syria said yesterday an international committee should be set up to define and combat terrorism. He challenged the US and Britain, which have both imposed measures on Syria following its alleged involvement in the attempted bombing of an Israeli airliner, to take part.

The committee could include representatives of the European countries, the US and the Soviet Union as well as the Arab nations, he said. Syria would co-operate with the committee.

Accusing the US and Britain of practising "state terrorism" he pointed also to "acts of terror" by Israel, and told a rally of thousands on the anniversary of his takeover in Syria that he was "astonished" at the support by European countries —apart from Greece — for the EEC measures against Syria

International THE ARTS

# OECD labour ministers to hold talks on cutting unemployment

BY GEORGE GRAHAM IN PARIS

LABOUR MINISTERS from the industrialised nations meet here tomorrow to discuss ways of reducing unemployment and improving job creation.

The meeting, to be chaired by Mr Ruairi Quinn, the Irish minister, takes place against the background of renewed pessimism in many Western European countries about the prospects for cutting unemployment, despite steady economic growth.

The Organisation for Economic Co-operation and Development, which is hosting the meeting, expects output in the industrialised countries to grow by 2.5 to 3 per cent over the next year, but there is little confidence that this will be enough to reduce the level of unemployment significantly. The OECD's 24 members are expected to have 31m unemployed next year, around 8 per cent of the labour force.

OECD officials say, however, that there has been a marked shift away from the belief that faster output growth will supply the answer to unemployment. Instead, the emphasis is being placed on ways of improving the structure of the labour market so that more jobs are created for the same rate of growth.

Although the labour force will grow more slowly over the next ten years in many countries, officials still believe that reducing unemployment to more acceptable levels will require rapid rates of job creation.

Restoring unemployment to 1979 levels would require an increase in jobs of around $1\frac{1}{2}$ per cent a year in the US, they estimate, slightly lower than the rate achieved since 1973. The same sort of growth would be needed in Europe, where employment has been virtually static since 1979. Japan would need an estimated $\frac{1}{2}$ to 1 per cent employment growth.

Recent research by the OECD has indicated that the pool of venture capital available for the creation of businesses is only one tenth as large in Europe as in the US, and that European capital investment is therefore being channelled largely to the benefit of those already in work.

Officials want ministers to examine how workers' deferred pay, especially in pension funds with workers' representatives on their boards of trustees, can be used to contribute to more dynamic employment growth.

The Organisation also wants labour ministers to shift their welfare state policies in response to the change in the nature of unemployment. Traditional programmes, aimed mainly at income protection during a transitional period between one job and another, are under threat, officials feel.

## Gulf ship attacked

Iran launched a missile attack on a cargo vessel in the southern Gulf yesterday as fire raged on one of its offshore oil platforms, 24 hours after a long-range strike by Iraqi jets, Reuter reports from Bahrain.

# Pratt & Whitney to build and sell R-R helicopter engine

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

PRATT & WHITNEY of the US has taken a full manufacturing and marketing licence for the US and Canada on the Anglo - French Rolls - Royce Turbomeca RTM-322 helicopter engine.

It has held an option on these rights in the engine for some 18 months, during which it has studied the engine both technically and economically. The Pratt & Whitney decision to exercise its long-term rights on the engine demonstrates its confidence in its market potential.

Mr Bob Wolfe, Pratt & Whitney's vice president for small military engine programmes, said: "It's a very competitive candidate for several North American military helicopter applications, and meets all the Government's technical requirements as well."

US potential applications include power for the UH-60 Blackhawk, SH-60 Seahawk and AH-64 Apache, while in Europe possible applications include the Agusta A-129, the prospective NH-90 Nato helicopter for the mid to late 1990s, and the Anglo-Italian EH-101.

"We see a large military market potential in North America for this engine and we are committed to making the RTM-322 a very successful Pratt & Whitney helicopter engine programme," said Mr Wolfe.





# Sarney's main supporters heading for poll triumph

BY IVO DAWNAY IN RIO DE JANEIRO


THE BRAZILIAN Democratic Movement (PMDB) — the largest party in Brazil's governing coalition—yesterday looked on target for a triumphant victory in gubernatorial and congressional elections.

After relatively trouble-free polling on Saturday, the PMDB seemed set to win as many as 20 of the 23 contested governorships, routing the right-wing Liberal Front (PFL) and Democratic Social (PDS) parties even in the traditionally conservative north-east.

Party officials were also confident that the PMDB would win clear majorities in both the Chamber of Deputies and the Senate, which together will write a new constitution.

The only question marks hung over the populous industrial states of the south-east—the so-called Bermuda triangle — where many political ambitions have foundered in the past.

For the Government, eyes were most closely focused on Rio de Janeiro where the PMDB candidate for the governorship, Mr Wellington Moreira Franco has fought an impassioned campaign against Mr Darcy Ribeiro — candidate of the left-wing Democratic Workers (PDT).

The PDT, led by Mr Leonel Brizola, a charismatic populist and longtime presidential hopeful, has launched the only serious attack on the policies and government of President Jose Sarney.

First returns and a polling station survey suggested yesterday that Mr Moreira would win a narrow victory, though the result is still unclear.

In Sao Paulo, Mr Orestes Quercia, PMDB candidate for governor, had established a substantial lead over the entrepreneur Mr Antonio Emirio de Moraes and former right-wing governor, Mr Paulo Maluf.

The only significant governorship the PMDB looks likely to lose is Minas Gerais, an industrial state second only to Sao Paulo in population. But this is unlikely to cause much anxiety as the party's candidate, Mr Newton Cardoso, was a highly controversial and contested choice while his PFL rival, Mr Itamar Franco, commands wide respect.

Mr Ulysses Guimaraes, PMDB president, said yesterday that the party would continue to give its firm support to the Sarney government and its anti-inflationary economic strategy. But he said the party would also expect tha Government'a backing for its policies of progressive change.

In fact, the PMDB is a diverse coalition of political opinion, ranging from conservative to hard-left. Mr Guimaraes's main task now will be to instil sufficient party discipline to unite his supporters around a common position on the new constitution.

It may take 10 days before the result is officially announced, and the new constituent assembly is not expected to sit until February.

**Peter Ford** in Managua on the trial of US airman Eugene Hasenfus

# Manna for the Sandinistas

THE TRIAL of captured American flyer Eugene Hasenfus, which ended here on Friday night, offered the Sandinista government an ideal opportunity to illustrate its international case that it is fighting not a civil war with "freedom fighters," as President Ronald Reagan would have it, but a defensive war against mercenaries hired by the US Central Intelligence Agency.

"Hasenfus fell ont of the sky like manna," one Sandinista official said, and the authorities made the most of their captive from the moment that Justice Minister Mr Rodrigo Reyes, prosecuting, announced that "this is not just the trial of Hasenfus; it is the trial of the United States Administration."

Since Mr Hasenfus, a 45-year-old unemployed construction worker, confessed on US television that he had been running guns to the Contras and that he believed he had been working for the CIA, the outcome of the three-week trial was never in doubt.

But the proceeding of the "Popular Anti-Somosista Tribunal" (TPA), followed evidly by the international press, drove home the Sandinista message to the North American public that Americans are dying or ending up in jail in this war.

How long Mr Hasenfus will stay in prison is still e matter for speculation. The court sentenced him to 30 years, but few observers expect him to serve his full term.

President Daniel Ortega said before the trial began that Mr Hasenfus was "a victim" of US Central American policy, adding that "the Sandinista revolution has shown itself to be generous." This prompted speculation that an early pardon might be on the cards.

Mr Reyes now insists that "there is no judicial, moral or political reason" for pardoning Mr Hasenfus. "The Nicaraguan people are aware that Hasenfus is a mecenary who came to sow terror in Nicaragua," he argued, "end they think he should serve his judicial sentence. "If you say that the war will stop in return for Hasenfus's pardon, then we'd pardon him tomorrow," he added, "but the war is going to go on."

Mr Hasenfus's future, most observers here believe, depends on what the Nicaraguans can get in return for his release after he has served enough time to satisfy rank-and-file Sandanistas' thirst for retribution.

"It will take a political situation, allowing us to extract a political price for his return," predicts one Sandinista official privately, suggesting that such a situation might arise within a year or so.

"We don't gain anything from keeping [Hasenfus] inside for 30 years," the official points out, "and we've already got much more out of this affair than we had hoped for."

The Sandinistas could hardly have expected to make more political capital from the lowly cargo handler they captured. His statement that "I came here as a job, not as a soldier; this is not my war" illustrated Managua's insistence that it is defending itself against "mercenary bands" waging an illegitimate war.

At the same time, his claim to have been working under the supervision of two CIA agents tied the Contra supply operations directly to Washington, despite US disclaimers that the El Salvador-based network had been privately organised.

Perhaps most importantly for the Government here, Mr Hasenfus's capture offered evidence to support Sandinista warnings of increasingly direct US involvement in the Contra war.

Fears that such involvement could culminate in an outright US invasion have been voiced repeatedly since the US Congress approved $100m in aid to the Contras, a move that President Ortego denounced as "a declaration of war."

Setting President Reagan's ill-conceived desire to topple the Sandinista Government alongside the end of the Congressional elections, and the Presidential campaign still a year off, Managua officials believe Washington now has a "window of opportunity" for e military adventure.

Contra leader Arturo Cruz recently suggested that the US might well commit troops in support of its Central American allies, should border tensions between Nicaragua and one of its neighbours lead to outright conflict.

That prospect is never far away, given the presence of Contra camps just inside Honduras, and the Sandinistas' occasional forays across the border to strike at the rebels. Whether Washington would risk an invasion, Sandinista planners believe, depends very much on how it estimates the military costs.

Mr Hasenfus and his three dead colleagues may have been only the first casualties in a preliminary skirmish.

Mr Eugene Hasenfus, above, the American airman shot down delivering guns to US-backed Contra rebels, being sentenced by a Nicaraguan ceurt to 30 years in prison. Mr Hasenfus, 45, said he would appeal, and his wife Sally, also pictured, pleaded for mercy from tha left-wing Sandanista government.

## OVERSEAS NEWS

# Manila prepares for strike in protest at killing

BY SAMUEL SENOREN IN MANILA

MANILA was yesterday bracing itself for a general strike today, called in protest at the murder of a left-wing activist last week. At the same time police were continuing to search for a Japanese businessman abducted on Saturday.

The striko was called by the KMU lobour trade union, whose chairman, Mr Rolando Olalia, was killed last Thursday.

The union and other left-wingers sympathetic to Mrs Corazon Aquino, the Philippines President, have blamed forces loyal to Mr Juan Ponce Enrile, the Defence Minister, for the killing. They have pledged to continue the strike until he is removed.

The Japanese business executive, Mr Nobuyuki Wakaoji, was kidnapped after playing a round of golf near Manila at the weekend. He is the manager of the Manila branch of the Mitsui trading company, which was among 11 big Japanese companies which pledged to raise investment in tha Philippines during President Aquino's visit to Tokyo last week.

It is believed Mr Olalia's murder and the kidnapping of Mr Wakaoji are linked. The two incidents are suspected to be the work of opponents of Mrs Aquino bent on destabilising the Government.

Meanwhile, the Government has toughened its stance in negotiations with creditor banks for a new debt rescheduling package of $9.4bn (£6.57bn), covering debt maturing between 1983 and 1992.

Mr Jaime Ongpin, the Finance Ministar, said on Saturday the Aquino Government would freeze payment on principal of about $3.6bn, which starts maturing in 1987, if no rescheduling agreement was reached with the banks before next January 1.

Negotiations between the Philippines and the advisory committea of the creditor banks, which number more than 480, were suspended in New York two weeks ago when there was no agreement on the spread and term of rescheduling package.

Mr Ongpin warned that the Philippines would have no choice but to declare a unilateral standstill on repayment of principal if its proposed package was rejected by the banks.

The Philippines is seeking terms comparable to those granted by the banks to Mexico which chiefly involve a maturity of 20 years with seven years' grace period and a spread of 13/16 over Libor.

Also proposed to be covered by Mexico-like terms are $5.8bn in loans maturing between 1983 and 1986 whitb were already scheduled in 1985 for 10 years, with five years grace at a spread of 1⅛ over Libor.

# Party to back Laos thaw

BY STEVEN BUTLER IN BANGKOK

THE HIGHLY secretive Lao Communist Party is holding its first national congress since 1982 in Vientiane, according to diplomats in Thailand.

Although major shifts in policy or leadership are not expected, the congress is likely to endorse moves to improve relations with Thailand and to improve trade ties with the outside world.

Diplomats believe that recent Lao overtures towards Bangkok result directly from the Vladivostok initiative of Mr Mikhail Gorbachev, the Soviet leader, in which he said he wanted to improve Soviet ties with China and throughout the Asia-Pacific region.

The Laotian moves, however, would need the endorsement of Vietnam, which has 50,000 troops stationed in Laos.

Talks between foreign ministry officials of Thailand and Laos are due later this month, with Thailand expected to agree to reduce trade restrictions.

The Laotian party congress comes one month before an expected party congress in Hanoi. Diplomats say this timing is a token gesture to demonstrate Laotian independence

# Delay over Gorbachev visit is blow to Nakasone

By Ian Rodger in Tokyo

THE likely postponement of a visit by Mr Mikhail Gorbachev, the Soviet leader, to Japan is a blow to the prestige of Mr Yasuhiro Nakasone, now in his last year as prime minister.

Mr Nakasone had been hoping that Mr Gorbachev would visit Japan in January, but Mr Edward Shevardnadze, the Soviet Foreign Minister, told Mr Shinichi Yanai, the Japanese deputy foreign minister, who was in Moscow last week, that the Soviet Union was still unable to set a date.

Japanese Foreign Ministry officials said the Yanai visit was the last opportunity to agree on a January date because of the time needed to prepare for a visit.

Mr Nakasone has set improvement of Japan's relations with the Soviet Union, still soured by the lack of a peace treaty after the Second World War, as one of his main diplomatic goals.

The Prime Minister, whose party gave him an exceptional one-year extension in office following his landslide election victory in July, was also counting on the Gorbachev visit to increase his prestige.

Talks in diplomatic circles about a possible return trip by Mr Nakasone to Moscow next summer has now been replaced by speculation that the Prime Minister will retire before the end of his extended term next October.

Japanese and Soviet officials agreed in principle last January on a Gorbachev visit. However, scheduling has proved difficult.

For the Japanese, the main issue on the agenda for such a visit would be the return of the seven islands north of Hokkaido occupied by the Soviets in 1945. That is the only obstaclo to the signing of a peace treaty between tho two, they say. Japanese Foreign Ministry officials havo made clear that they would expect to see major progress on this issue if Mr Gorbachev came to Japan.

The Soviets have maintained, and they repeated to Mr Yanai last week, that postwar boundaries have been firmly established.

**Kevin Brown** on a meeting vital to a European industry

# Battle to keep shipbuilding afloat

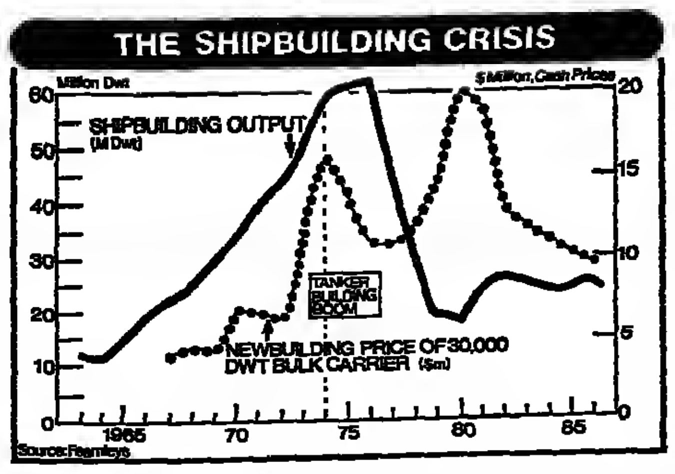
EUROPE'S shipbuilders will be waiting anxiously by their telephones tomorrow for news of a decision in Brussels which many believe will signal whether or not the EEC stays in the increasingly difficult business of shipbuilding.

The Council of Industry Ministers will have before it complex proposals from Mr Karl-Heinz Narjes, the West German Commissioner for Industry, and Mr Peter Sutherland, the Irish Competition Commissioner, for a new regime for shipbuilding subsidies.

The problem facing the politicians is whether the strategic importance of shipbuilding is sufficient to justify the level of subsidy which will be required to keep the industry alive.

The new regime would replace rules under which member states are required progressively to reduce subsidies to shipbuilding—a policy which has left European yards unable to compete with their major competitors in Japan and South Korea. As a result European capacity has been cut be 60 per cent since 1975, to a point where the EEC holds only 18 per cent of the world market.

In the same period, Japanese output has been cut by less than 30 per cent, while South Korea has increased capacity by 240 per cent as part of a drive to establish an industrial base. The result is a 40 per cent surplus in world capacity, a similar cut in ship prices, and a game in which all the players are building ships at a loss.




The Commission has suggested o common subsidy ceiling of 26 per cent, which compares with existing limits of 20.5 per cent in the UK, 4 per cent in West Germany, and 23 per cent in France and Italy.

The existing limits relate only to direct subsidies, however, while the new ceiling will cover all forms of aid, including "hidden" elements such as tax incentives to shipowners. This means that for many yards, a ceiling of 26 per cent could imply a substantial cut in subsidies.

In any event, the proposed ceiling is well below the maximum 40 per cent gap between European costs and world prices identified on behalf of the commission in a study carried out by A and P Appledore, the UK consultants.

The shipbuilders have mounted a sustained lobbying campaign to coovince Ministers that their inability to compete is a direct result of the aggressive expansion of Far East yards into a shrinking market, and not a consequence of inefficiency.

Mr Werner Fante, secretary of the liaison committee set up by the shipbuilders to try to influence the proposals, says there is little hope for the survival of many yards unless the subsidy ceiling is set somewhere above 30 per cent.

Most of Europe's shipbuilders would prefer to reduce government involvement rather than increase it, he says. "Bot at a time when South Korea is increasing capacity by 240 per cent there is no prospect of survival without government help."

Mr Peter Milne, a director of British Shipbuilders, says it is vital that the ceiling is at least 36 per cent in the short term. Anything less would be unrealistic, and would force member states to let yards go out of business, he says.

British Shipbuilders has led attempts to persuade Ministers to declare publicly that the EEC will defend its current market share. In the absence of such a declaration, the company says, Far East yards are likely to maintain unrealistic capacity in order to force Europe out of the market.

Mr Milne says Europe must move sharply away from its "fixation" with holding down subsidies and cutting capacity, and accept that in the long term the problems of the industry can be solved only by international agreements to bring supply and demand back into balance.

Most forecasters agree that the market will improve in the early 1990s, when shipowners will need to begin replacing around half the present world fleet. If this happens, there is hope that European shipbuilding could survive in the long term on a commercial basis.

The question facing Industry Ministers tomorrow is whether Europe can afford to keep shipbuilding on a life support machine in the meantime.

SHIPPING REPORT

# Rates for VLCCs set to rise further

By Kevin Brown

RATES FOR very large crude carriers (VLCCs) continued to improve last week, leading brokers to forecast further increases in coming weeks.

Several Japanese charterers were said to be active in the Gulf, where the rate for VLCCs trading to Japan rose to around World Scale 24.5, compared with around World Scale 22.5 for similar ships carrying cargoes to the West.

E. A. Gibson, the London shipbrokers, said the number of large vessels available in the Gulf for loading up to the end of November had been halved over the last week. Some owners were even reported to have pulled out of negotiations for early loadings in anticipation of increased demand in the next few weeks.

The market for smaller ships trading from the Gulf was also said to have firmed. Rates for tankers in the 120,000 tons dead weight class rose to around World Scale 50 for the Red Sea.

In the dry cargo market, trade was said to have become more active, with rates rising to $12.50 per ton for Panamax cargoes from the US Gulf to Japan.

# Pacific states 'must not retrench'

BY CHRIS SHERWELL IN PERTH

NATIONS on the Pacific rim must avoid "retrenchment" in combating economic difficulties, US President Ronald Reagan said yesterday.

He was speaking by videotape from Washington at the opening of a conference in Perth on trade, investment and finance in the fast-growing Pacific basin region.

Mr Bob Hawke, the Australian Prime Minister, opening the meeting, said protectionism, especially in agriculture, was a major obstacle. The international rules on fair trade were being "manipulated and broken" to the detriment of all nations.

He urged a greater emphasis on deregulation, more liberal investment regimes and reform of the financial system, and said smaller countries in the region were looking to the major economies for action on trading reform.

Both Mr Hawke and Mr Reagan drew attention to major changes caused by economic expansion in the Pacific basin.

Two years ago, Mr Hawke said the value of trans-Pacific trade overtook that of trans-Atlantic trade. Mr Reagan, citing the Pacific's fast-increasing share of US trade, said the region was "leading mankind into a new age of enterprise and progress."

On the region's current challenges, Mr Reagan said his message was: "Now is not the time for retrenchment." Past accomplishments had to be used as a springboard to help jump current hurdles.

More than 400 delegates from 22 Pacific nations are attending the symposium, which features contributions from ministers and senior business and banking executives.

The conference aims to highlight the growing importance of the Asia-Pacific region. Conveniently coinciding with the America's Cup yachting event, it is also designed as an opportunity to promote trade and investment in Australia, especially Western Australia.

## World Economic Indicators

TRADE STATISTICS

| | Sept '86 | Aug '86 | July '86 | Sept '85 |
|---|---|---|---|---|
| **US ($bn)** | | | | |
| Exports | 17.518 | 17.604 | 17.707 | 17.034 |
| Imports | 30.078 | 30.925 | 35.745 | 32.860 |
| Balance | −12.560 | −13.321 | −18.038 | −15.826 |
| **UK (£bn)** | | | | |
| Exports | 6.082 | 5.470 | 5.990 | 6.242 |
| Balance | − 0.877 | − 1.486 | − 0.588 | − 0.083 |
| Imports | 6.959 | 6.956 | 6.577 | 6.325 |
| **FRANCE (FFr bn)** | | | | |
| Exports | 73.20 | 71.93 | 74.60 | 76.20 |
| Imports | 76.10 | 68.68 | 73.05 | 79.25 |
| Balance | − 2.90 | + 3.25 | + 1.55 | − 3.05 |
| **WEST GERMANY (DM bn)** | Aug '86 | July '86 | June '86 | Aug '85 |
| Exports | 43.74 | 45.01 | 44.07 | 45.18 |
| Imports | 31.99 | 33.41 | 34.57 | 39.46 |
| Balance | +11.75 | +11.60 | + 9.50 | + 5.72 |
| **JAPAN ($bn)** | | | | |
| Exports | 17.789 | 17.539 | 17.230 | 14.523 |
| Imports | 9.026 | 9.821 | 10.340 | 9.729 |
| Balance | + 8.763 | + 7.718 | + 6.890 | + 4.794 |

# Dramatic fall in prices of burgundy

By Edmund Penning-Rowsell

A DRAMATIC fall of 46 per cent occurred in the prices of the red wines at yesterday's sale for the 1986 vintage of the Hospices de Beaune – the first drop in a continuing rise since 1980.

This reflected a general view of a moderate though not bad vintage and the trade opinion that red Burgundy prices were already very high.

The leading prices per hogshead (approx 50 gallons) with last years's figures in brackets were the Mazis Chambertin Cuvée Madelline Collignon FFr 46,000 ($6,940) (FFr 70,000), Corton Cuvée Charlotte Dumay FFr 36,000 (FFr 55,000) and Volnay Santenots Cuvee Ganvain FFr 34,000 (FFr 48,000).

The small group of white wines fell only 18 per cent partly owing to a saleroom battle between two bidders for the tiny Cuvée Corton Charlemagne Francois Salins FFr 113,000 (FFr 110,000).

The second highest price was FFr 76,000 (FFr 116,000) for Corton Vergennes Cuvée Paul Chanson.

# Plan to extend television franchises

By Raymond Snoddy

THE Government is moving towards accepting a three year extension of the 15 independent television (ITV) franchises instead of the two-year extension envisaged until recently.

A three-year extension is now expected to be put forward in an amendment to the 1981 Broadcasting Act in a bill to be introduced before Christmas.

The Government had been considering putting forward a two-year extension while being sympathetic to three years if, as expected, an MP were to put forward an amendment.

It now appears likely that the bill will stipulate three years from the outset – a period that will offer additional security, revenue and profits for the ITV companies.

# Baker may seek to alter teachers' pay package

BY DAVID BRINDLE AND PETER RIDDELL

THE Government is likely to seek modifications to the teachers' pay and conditions package agreed by the local authority employers in England and Wales and most of the unions early on Saturday morning.

Mr Kenneth Baker, the Education Secretary, was maintaining an uncharacteristic public silence over the weekend. He wants to give the proposals full consideration, and talk to ministerial colleagues, before any announcement. However, Labour leaders will seek a House of Commons statement this afternoon.

Facing a decision which may be crucial to his future political ambitions, Mr Baker will have to reconcile the political pressures, not least from Tory MP's and fellow ministers, for an end to the two-year long disruption of schools, with the shortcomings in the package from his point of view.

Yesterday, leaders of both the two bigger teaching unions made it clear there would be renewed disruption of schools if the minister went ahead with his threat to impose a deal on the basis of terms he announced three weeks ago.

Mr Baker, however, is known to be concerned that Saturday's agreement involves too much squeezing of pay differentials and would also mean extra costs. Close colleagues of the minister were arguing last night that though he may be reluctant to announce an outright veto of the deal, he may instead seek improvements – notably in relation to the pay of head teachers.

The National Association of Head Teachers was one of the two unions which refused to sign the agreement, although the Secondary Heads Association did.

There is speculation among some of the other unions that the NAHT may be looking to the Government to pull the heads out of the overall pay structure. Justification for this would be the plans to give heads greater control of their own schools' budgets, thereby warranting extra responsibility payments.

The other union not party to the agreement is the National Association of Schoolmasters/Union of Women Teachers, the second biggest of the six teaching unions

Mr Fred Smithies, NAS/UWT general secretary, said in an interview yesterday on Weekend World, the ITV current affairs programme, that there would be no alternative to "vigorous" action by his members if the Government imposed a deal. However, the union is thought unlikely to act against an agreed settlement.

Mr Doug McAvoy, deputy general secretary of the National Union of Teachers, said on the same programme that his union would concentrate on winning public support for the agreement, but that disruptive action could follow if the Government remained against it.

The agreement provides for the 400,000 teachers in England and Wales to move on to a revised salary structure through two pay increases, in January and September next year, within the overall 16.4 per cent rise offered by Mr Baker.

# Government assures Unionists that accord poses no threat

BY HUGH CARNEGY IN BELFAST

THE GOVERNMENT responded yesterday to Unionist protests against the first anniversary of the Anglo-Irish agreement, which sparked violence in which two people died, by restating that the accord posed no threat to Unionism and would be continued.

The two dead were a 20-year-old Protestant, struck by a police Land Rover as it confronted rioters in north Belfast, and an elderly Catholic woman, who collapsed after her house in a mainly Protestant area of Carrickfergus was attacked during the night.

In other disturbances on Friday and Saturday, 27 civilians and 44 police were injured and more than 90 people were arrested.

The main event was a mass rally at Belfast City Hall on Saturday afternoon, addressed by Mr James Molyneaux, leader of the Official Unionist party, and the Rev Ian Paisley of the Democratic Unionist party.

It drew the huge crowds the organisers hoped for, as a repeat of a peaceful demonstration last November. But this year, despite the efforts of Unionist stewards, gangs of youths smashed their way into more than 30 city centre shops, looting many and fighting running battles with police within sight of the platform.

Mrs Margaret Thatcher, the Prime Minister, said yesterday the Government had signed the agreement, which gave Dublin a formal say in Northern Irish affairs for the first time, to try to end violence and reconcile the two communities in the North. "I believe it was right and I believe we must continue it," she said.

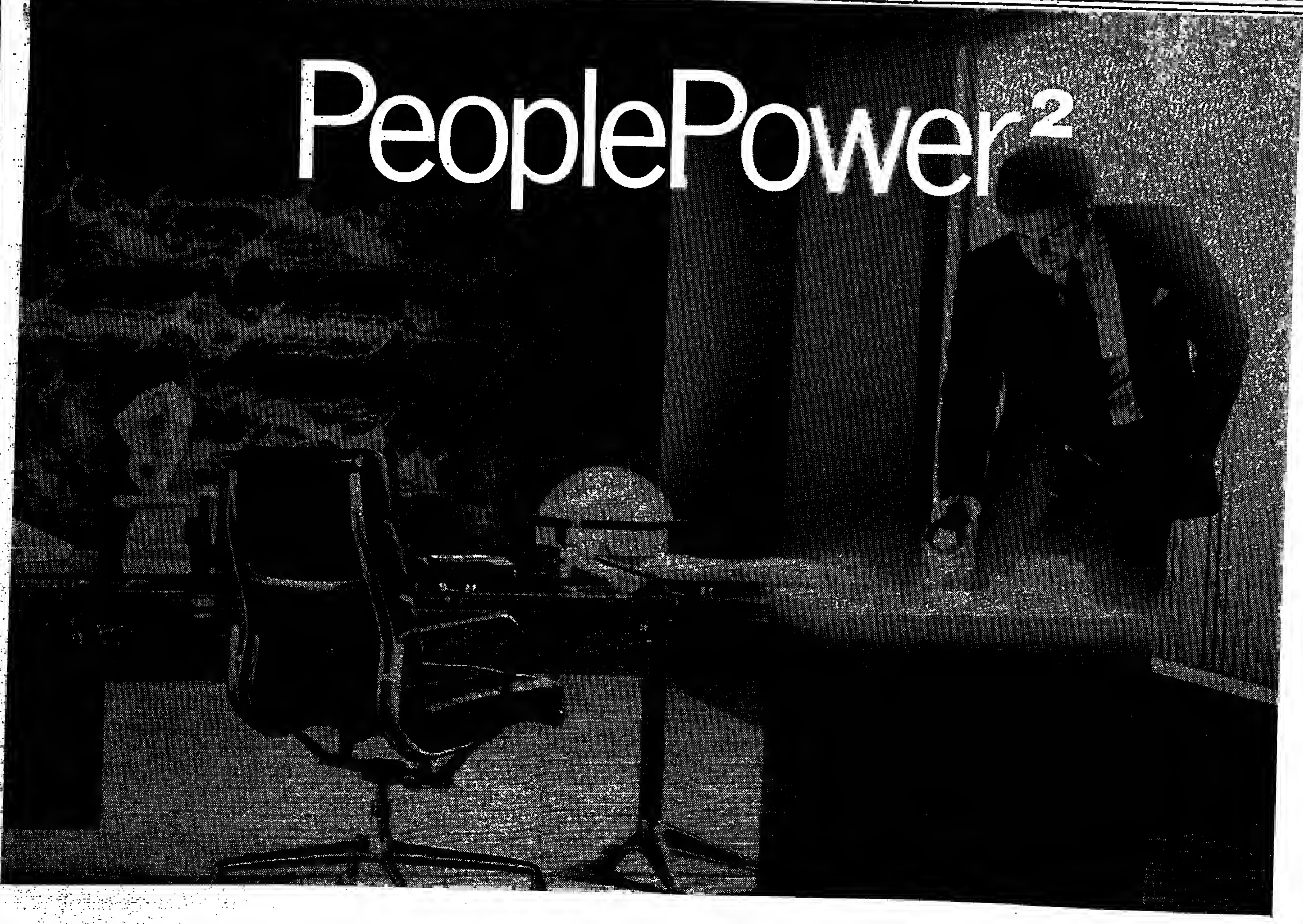
Unionists regard the agreement as a first step to a united Ireland, despite the assurances in it that Northern Ireland will remain British so long as the majority wishes.

Mr Brian Mawhinney, the Ulster-born Northern Ireland junior minister, told the conference of Conservative Trade Unionists in Peterborough, in the East Midlands, yesterday: "My fellow Ulstermen repeat that 'Ulster says, never, never, never, never'. I, too, can use these words. Never, never, never, never has has there been less of a threat of a united Ireland."

The violence at Saturday's rally was exactly what Unionist leaders wanted to avoid, but it illustrated the lack of control they have over the hardline fringes, who are impatient at the ineffectiveness of the campaign to bring down the agreement. One banner in the crowd read: "We want action, not a rally."

Mr Molyneaux tried to meet this by announcing a planned comprehensive campaign of civil disobedience," including a withdrawal of all Unionists from statutory government bodies and a bigger rates strike. But measures like this have already been tried and have had little effect.





Alan Cane reports on the software failure which led to chaos

# Big Bang computers doomed to failure

A SOFTWARE fault slipping through exhaustive London Stock Exchange testing procedures in the weeks leading up to Big Bang mainly caused the computer failure which forced the exchange to suspend its computerised market price service, Seaq, several times in the first days of the new markets.

Until now, it had been assumed that the exchange had simply – if almost unbelievably – miscalculated by 100 per cent the volume of requests it could expect through its Topic price information service.

Now it seems clear that if the exchange's computer specialists had suspected the presence of the software fault and been able to fix it before Big Bang, the system would not have collapsed so embarrassingly under the admittedly huge volume of requests for information in the first few hours of trading.

Seaq is the information gathering and processing computer system; pages of information are disseminated to the marketplace via Topic and some 9,000 Topic terminals.

The exchange, in a press statement put out at the end of the first week after Big Bang, said it was "surprising and disappointing" that the likely demand for information had not been identified during several "dress rehearsals" for Big Bang.

It was certainly surprising to the exchange's staff. So sure was the information services division of the stability of the Topic system that it allowed every user of a Topic terminal access to the critical competing market maker pages (Seaq Level II) on Big Bang day.

Topic, a straightforward viewdata-type system similar to the BBC Prestel service but with greatly improved page selection, had performed reliably and unspectacularly for six years. The maximum number of requests for pages of information it had to meet was around 2m in a single day. Based on figures Mr George Hayter had noted from the US over-the-counter market system, Nasdaq, on which Seaq is based, the capacity was doubled.

On October 27, Topic had to deal with 3m requests for information in the first two hours of operation. There was no doubt the system was being asked to perform beyond its capacity – but systems experts were nevertheless puzzled by the dramatic suddenness with which Topic stopped working. At the time, it was ascribed to a common problem called "hunting", where the computer has no guidance to which of a multitude of tasks to carry out first and therefore carries out none of them.

Experts were puzzled because systems are conventionally designed to fail in a controlled manner in such circumstances, giving the technicians the opportunity to take steps to keep the computer – and what it is doing – alive. This is called "graceful degradation."

There was nothing graceful about the collapse of Topic. Within minutes of reaching its maximum capacity, it failed. What seems to have happened is that there was a fault in the computer program which controlled graceful degradation in Topic.

In simplest terms, a series of operations (algorithm), which should have moved chunks of information from one part of the computer's memory to another as it went into overload, left gobbets of data in a critical area leading to systems failure.

The fault did not show up during testing or the dress rehearsals because Topic had never experienced that level of information requests.

It is, in fact, very difficult to simulate the kind of situation which Topic experienced on the morning of October 27.

So the stock exchange went into Big Bang with a system doomed to failure although it did not know it at the time and would have been unable to test for it.

It is exactly this impossibility of testing for all possible faults and patterns of behaviour in complex computer systems that has led many computer scientists to pour scorn on President Reagan's Strategic Defence Initiative, which will depend on software many times more complex than the stock exchange's.

Business people may be surprised that "the wretched Seaq system" as a London evening paper dubbed it after hardware faults forced it off the air again last Thursday, is well regarded by computer professionals.

The handful of faults experienced in its first three weeks of live operations are much less than is commonly experienced in the development of large and sophisticated computer projects.

The central Seaq software, the most critical part of the whole operation, has proved rock-solid. The level of hardware faults is only average for a system which involves the connection of 32 separate high powered computers.

**ALL BUT 500 of the 240,000 equity bargains contracted in the first stock exchange account period since Big Bang last month were successfully processed through the computerised settlement system, Talisman, over the weekend, ready for payment and deliver of stock today.**

**The remaining bargains will be settled tomorrow and Wednesday. Stock exchange officials hailed the virtually trouble-free processing run on Friday evening as confirmation that the central systems were capable of handling the volumes expected in the new equities markets.**

**Talisman is 19 years old and well proven but it had been extensively modified to take account of the fact that all market participants post Big Bang are able to trade in dual capacity, that is as principals or as agents.**

**It had proved impracticable to test Talisman in the same way that the market information system, Seaq, had been tested, and there was some anxiety that large processing volume might show up faults in the computer software.**

**Stock Exchange member firms are responsible for settling business between themselves and their clients privately, but all business between firms is settled centrally through Talisman. Mr Michael Baker, head of the exchange settlement service, said the value of the bargains cleared over the weekend was about £6bn.**

## Gas shares 'foreign speculators' windfall'

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT has been accused of deliberately underpricing the shares of British Gas in the forthcoming flotation to give foreign speculators and big institutions a massive windfall profit.

Mr Tony Blair, one of Labour's Treasury team, has written to Mr Nigel Lawson, the Chancellor, of the Exchequer demanding assurances that there will be no windfall profits at the expense of the taxpayer.

He quotes undertakings given last December by Treasury officials that it would be – in his words – "a breach of their duty to the taxpayer to undervalue shares for the political purpose of attracting investors."

Mr Blair also asks why it is necessary for any British Gas shares to be sold to foreign institutions, particularly since the Japanese authorities decided last month to exclude any foreign participation in NTT.

He also claims that the shares will be offered so as to generate an immediate premium of at least 15p. This, he says, will give a massive windfall profit of at least £360m to large institutions and companies, of which as much as £120m profit will be taken out of Britain by foreign speculators.

British Gas has already started looking for potential multiple applicants among the 8m people who have registered their interest in this month's offer for sale.

## Trustee status for Chase Manhattan

By David Lascelles

CHASE MANHATTAN Bank of the US claims to have become the first foreign bank to be authorised as a trustee for UK unit trusts.

The bank has established a subsidiary, Chase Manhattan Trustees Ltd, and has engaged an experienced UK unit trust administration manager, Mr Peter Wilson, to administer it. This was a requirement of the Department of Trade and Industry.

In the last few days, Chase began to provide comprehensive custodian trustee services for Prolific Unit Trust Managers, the unit trust arm of the Provincial Insurance Company.

## Companies move faster from unlisted market

BY ALICE RAWSTHORN

THE FLOW of companies moving from the Unlisted Securities Market to a full listing on the London Stock Exchange has accelerated in recent months, according to a report by the accountants, Touche Ross.

The USM was introduced, in November 1980 as a junior tier to the established main market, from which young companies could graduate once they felt ready to cope with the more rigorously regulated environment of a full listing.

Thus far 71 companies have graduated, but a record 10 companies moved up to the main market in the third quarter of this year, according to Touche Ross's latest quarterly survey on the USM.

Touche Ross also indicated that many of the companies which have recently approached it, with a view to enlisting it as their accountant for USM flotations, have eventually opted for the main market. Touche Ross attributes this to concern about potential liquidity problems for shares quoted on the USM.

The USM new issue market is still active, however, although Touche Ross is concerned that the junior market may face a new form of competition from the Third Market – the forum for dealings in the shares of young, unquoted companies – when it is introduced by the stock exchange in January.

*USM Quarterly Survey available from Touche Ross, 1 Puddle Dock, Blackfriars, London EC4V 3PD.*

# UK NEWS

## Audi importer will cut dealers' margin to curb discounts

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE UK importer of Audi cars from West Germany is to cut the dealer trading margin from 17 per cent to 14 per cent as part of a package of measures designed to improve the image of the brand, "offer even better customer service, and encourage investment for the future."

VAG (United Kingdom), the Lonrho subsidiary which imports Audi and Volkswagen cars, insisted the new scheme, to take effect in January, was not designed simply to compensate for the steep rise in the value of the D-Mark against sterling.

"The reduction in the current trading margin is aimed at severely restricting dealers' ability to offer extravagant discounts to the detriment of their overall profitability and the image of the product," said Mr Peter Cover, VAG's sales and marketing director.

The 350 Volkswagen-Audi dealers who sold nearly 20,000 Audi cars last year have been told there are no changes to the VW part of the franchise.

The new Audi scheme does away with the dealer's volume sales bonus and emphasises the need for realistic dealer profits as well as providing financial backing for dealers who reach prescribed levels of customer service.

It has a two-tier structure which provides additional payments to assist with the cost of dealer's demonstrator cars and interest relief "provided the dealer attains the high levels of presentation and customer service set down by the importer."

Under the terms of the new scheme each dealer is expected to provide at least one specialist Audi salesman.

Mr Cover said: "In a competitive market place it is essential we provide our dealers with the right kind of incentive to sell our product, one that not merely encourages sales volume but rewards total commitment to Audi."

He suggested that, in the long term, the new scheme might cost VAG more if the response from dealers was good.

Dealers generally welcomed the scheme.

Mr Jim Greenan, sales manager for Smith Knight Fay, a major VW-Audi dealer in Manchester, said: "It should have been introduced four years ago when the new Audi 100 was introduced. If the network takes the initiative it will put Audi cars where they should be – along with Mercedes and BMW."

## Honda to sell own version of Rover

By John Griffiths

HONDA'S 160 UK dealers are about to start selling the Ballade saloon, Honda's version of the Rover 200 range. Austin Rover is building Ballades on the same lines as the small Rover at its Longbridge plant near Birmingham.

The two model ranges have a close visual resemblance but differ in body panel details, interior specifications and engines.

The Ballade is to be sold in only 1.5 litre form, in carburettor and fuel injection versions. The Rover 200 range uses either a 1.3 litre Honda engine or Austin Rover's own 1.6 litre 'S' series unit.

Honda's wholly-owned UK importer sees the Ballade as filling a gap left between its small Civic and the move up-market of its larger Accord saloon range.

Honda intends to sell all the 5,000 Ballades a year Austin Rover is to produce, initially through its UK dealer network. This is unlike the Honda Legend executive saloon – also being built by Austin Rover and to be launched at the New Year – of which Honda expects to sell 4,000 in Europe next year in addition to 2,000 in the UK.

## UK commercial vehicle production falls sharply

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD, the major UK-based commercial vehicle producer, suffered a 15 per cent drop in output during the first nine months of this year compared with the same period of 1985. The state-owned Rover Group experienced an even greater production decline: 25 per cent.

General Motors-Bedford was hit nearly as badly as Rover by uncertainties about its future and the almost complete lack of export demand. Its commercial vehicle output fell by 18.6 per cent.

Only one UK-based manufacturer saw production rise in the nine months. Foden, a subsidiary of Paccar of the US, pushed output up from 336 trucks to 390.

According to statistics to be published soon in the Society of Motor Manufacturers and Traders Monthly Statistical Review, total UK commercial vehicle production in the January-September period fell by 39,190 vehicles or 19 per cent, compared with the same months last year to 166,823.

Ford's output this year has been set back for two reasons. A new version of the Transit van, Britain's best-selling commercial vehicle, was launched in January and production has been cranked up only gradually.

UK COMMERCIAL VEHICLE PRODUCTION

| first nine months | 1985 | 1986 |
|---|---|---|
| Rover Group | | |
| Austin Rover | 19,850 | 14,059 |
| Land Rover | 22,761 | 15,934 |
| Freight Rover | 14,627 | 13,470 |
| Leyland Veh | 11,669 | 8,406 |
| Total Rover Group | 68,907 | 51,869 |
| Ford | 82,025 | 69,806 |
| GM-Bedford | 46,855 | 38,148 |
| ERF | 1,545 | 1,422 |
| Renault Truck | 3,917 | 3,188 |
| Seddon At | 1,303 | 1,189 |
| Others | 1,461 | 1,201 |
| Total | 206,013 | 166,823 |

Source: Society of Motor Manufacturers and Traders Monthly Statistical

There were also uncertainties over the future of Ford's Cargo truck range, built at Langley, Berkshire. These operations were sold in June to a new company jointly owned by Ford UK and Iveco, the Fiat-controlled group which also has management responsibility.

Worst-hit of the Rover Group companies in the nine months was Land Rover, which has also just completed a major reorganisation to consolidate all its operations on one site. Also, its future was under discussion, during this period. Along with Leyland Trucks, Land Rover was to have been sold to General Motors of the US but the UK Government withdrew from the proposed deal at the last moment.

Land Rover's output in the nine months fell by 30 per cent to 15,934. Its sister Freight Rover company, which produces Sherpa vans, was not so badly affected and its output fell by 8 per cent to 13,470.

Production of light vans by Austin Rover fell 29 per cent to 14,059, while output of trucks and buses by Leyland Vehicles dropped 28 per cent to 8,406.

Doubts about the future of Bedford's medium and heavy truck operations after its parent GM broke off talks with the UK government – GM intended to merge Bedford with Leyland Trucks – proved well-founded and the US group will stop truck production next month.

The Bedford Midi vans, based on a Japanese design, did not live up to expectations and Bedford's commercial vehicle output fell 8,707 to 38,148 in the nine months.

# UK NEWS

## Increased European space role sought in 70% budget boost plan

BY PETER MARSH

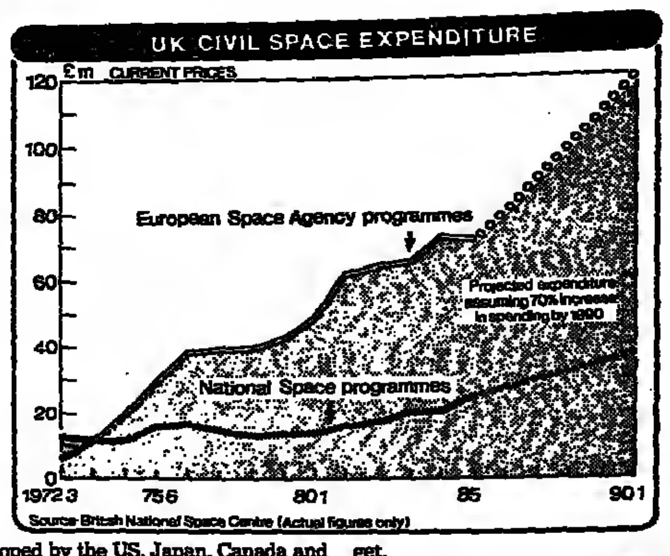
MINISTERS are considering a substantial increase in Britain's civilian space budget to enable it to participate in several large programmes administered by the 11-nation European Space Agency.

The Government is due to publish by Christmas a plan for the UK's space activities over the next decade. Under one option proposed by officials in the British National Space Centre, this could entail spending rising by 70 per cent by 1990, to about £170m a year.

Mr Geoffrey Pattie, the Minister for Industry and Information Technology, whose responsibilities include space technology, is examining a draft plan devised by the space centre. Other ministers, including Mrs Margaret Thatcher, the Prime Minister, will also consider the proposals' impact on public spending.

Significant spending increases in space are required if Britain is to play its full part in projects coordinated by the Paris-based European Space Agency.

The organisation has already agreed in principle to fund several big programmes, including the development of a more powerful Ariane rocket, the so-called Ariane-5 project, and a manned capsule for space experiments, called Columbus. Columbus would plug into an international space station, developed by the US, Japan, Canada and Western Europe, which would see service in the mid-1990s.



Source: British National Space Centre (Actual figures only)

Roughly three quarters of the £97m which Britain spent on civilian space science and technology last year went directly to ESA. The rest of the cash funded purely national programmes, such as astronomy.

Britain is Western Europe's fourth biggest spender on space activities, after France, West Germany and Italy. It contributes roughly 12 per cent of the ESA budget.

Mr Roy Gibson, director general of the British National Space Centre, has pressed for extra government cash for space to ensure the UK retains a strong role within ESA. He also argues that state funding of space technology helps to promote the development of technology in other areas, such as space science and telecommunications.

Apart from setting out the UK's aims in participating in the Columbus and Ariane-5 projects, the British space plan will discuss ways in which the country can benefit from other ESA projects in telecommunications and Earth-mapping satellites.

Britain will also push for support within ESA for a project devised by British Aerospace and Rolls-Royce to construct a space-going aircraft called Hotol (horizontal take-off and landing).

Unlike conventional space launchers, Hotol, which could be in service by early next century, would take off from an ordinary runway. The project could, according to British officials, greatly reduce the costs of taking people and materials to and from space.

Britain is urging its ESA partners to back either Hotol or a derivative of the project which would also use ideas for similar vehicles envisaged by France and West Germany. Under outline plans, the UK would be willing to contribute about £1bn to the £4bn that a Hotol-type vehicle would cost.

The UK is still undecided on whether to back a further scheme – a French plan to build Hermes, a small manned vehicle, which would sit on top of an Ariane-5 rocket. It would be in service in the late 1990s. Britain argues that Europe may be unable to afford the £2bn estimated cost of constructing Hermes.

## Building materials sales boom

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

BUILDING materials sales in Britain are booming, according to a survey from the Builders Merchants Federation, whose members distribute materials worth £5bn a year from 2,250 outlets throughout the country.

The federation's latest survey of its members showed that building materials sales for the year ending in September were up 6.1 per cent.

The federation is describing the results of its latest survey as indicating a "boom" in materials sales.

## Defence delay 'could harm value target'

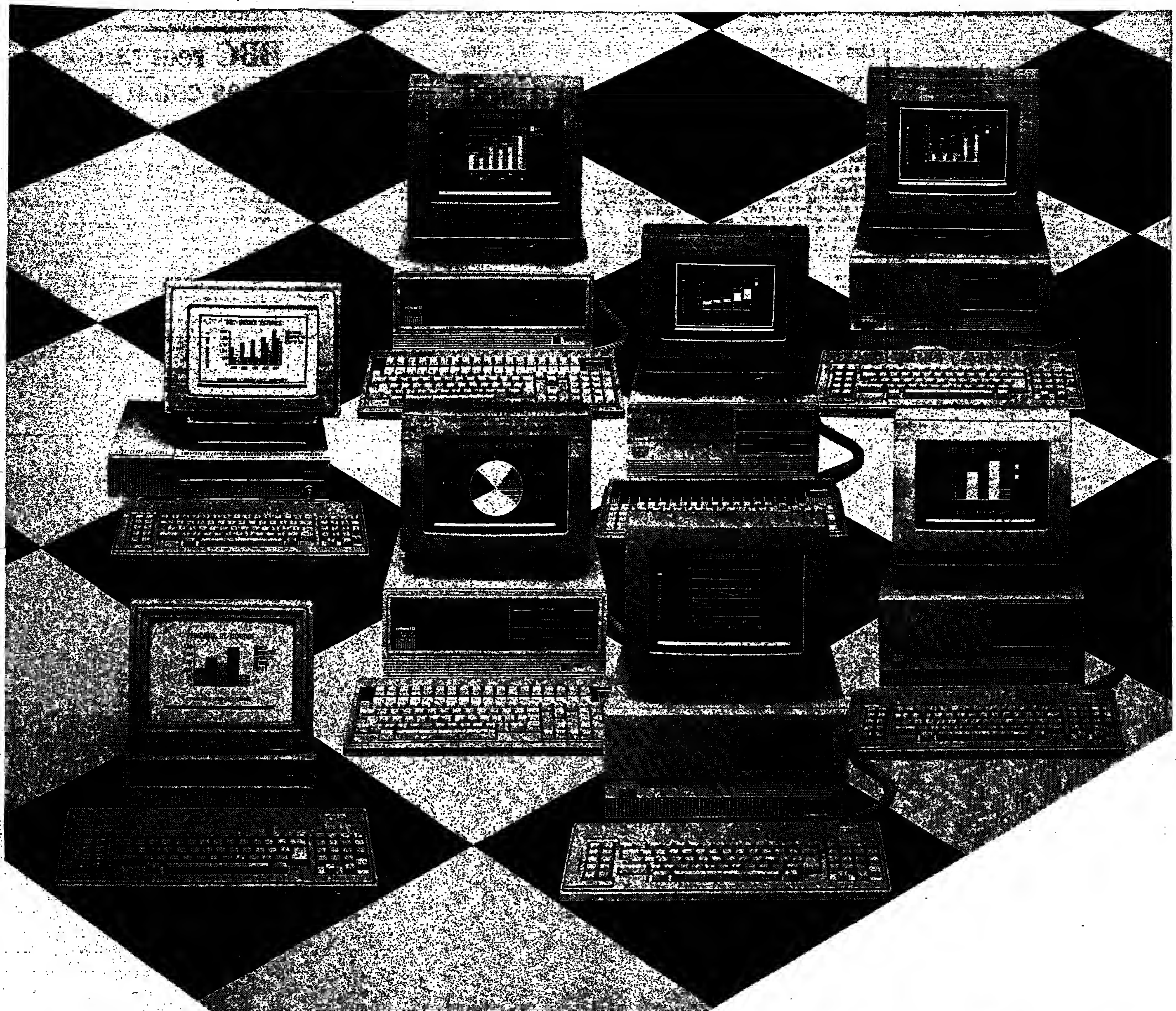
By Hazel Duffy

THE MINISTRY of Defence (MoD) has been told that the erratic flow of contracts and delays in placing successive orders with defence equipment suppliers could undermine the optimum value target which is at the base of the Government's new-style procurement policy.

Mr John MacNaughton, commercial director of Plessey Electronic Systems, addressing a PA Consulting Group defence symposium, said the very high turnover of senior officials in the MoD's procurement executive, headed by Mr Peter Levene, was one of the factors behind the lack of continuity reflected in the delays.

He calculated that senior officials doing highly complex work in defence procurement stayed only an average three years, against eight years for similar seniority in the private sector.

However, the British defence industry has certain specific advantages over its colleagues in other countries, Mr MacNaughton said. These included the fact that the "much maligned" procurement executive operates under a single umbrella; the Government funds research and development to a greater extent than in most other countries; and despite allegations to the contrary, the Government supports exporters.



# UK NEWS

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 11 | Citibank NA | 11 | ● Morgan Grenfell | 11 |
| Adam & Company | 11 | Citibank Savings | ¶12.45 | Mnt Credit Corp. Ltd. | 11 |
| Allied Arab Bk Ltd | 11 | City Merchants Bank | 11 | Nat Bk. of Kuwait | 11 |
| Allied Dunbar & Co | 11 | Clydesdale Bank | 11 | National Girobank | 11 |
| Allied Irish Bank | 11 | Comm. Bk. N. East | 11 | Nat Westminster | 11 |
| American Exp. Bk. | 11 | Consolidated Cred | 11 | Northern Bank Ltd | 11 |
| Amro Bank | 11 | Co-operative Bank | *11 | Norwich Gen. Trust | 11 |
| Henry Ansbacher | 11 | Cyprus Popular Bk | 11 | PK Finans. Intl (UK) | 11½ |
| ANZ Banking Group | 11 | Duncan Lawrie | 11 | Provincial Trust Ltd | 12 |
| Associates Cap Corp | 11 | E. T. Trust | 12 | R. Raphael & Sons | 11 |
| Banco de Bilbao | 11 | Equator'l Tst C'p plc | 11 | Roxburghe G'rantee | 11½ |
| Bank Hapoalim | 11 | Exeter Trust Ltd | 11½ | Royal Bk of Scotland | 11 |
| Bank Leumi (UK) | 11 | Financial & Gen. Sec | 11 | Royal Trust Bank | 11 |
| Bank Credit & Comm | 11 | First Nat. Fin. Corp | 12 | Standard Chartered | 11 |
| Bank of Cyprus | 11 | First Nat. Sec. Ltd | 12 | Trustee Savings Bnk | 11 |
| Bank of Ireland | 11 | ● Robert Fleming & Co | 11 | UDT Mortgage Exp. | ¶12.25 |
| Bank of India | 11 | Robert Fraser & Prs | 12 | United Bk of Kuwait | 11 |
| Bank of Scotland | 11 | Grindlays Bank | ‡11 | United Mizrahi Bank | 11 |
| Banque Belge Ltd | 11 | ● Guinness Mahon | 11 | Westpac B'nking Corp | 11 |
| Barclays Bank | 11 | HFC Trust & Savings | 11 | Whiteaway Laidlaw | 11½ |
| Benchmark Tst Ltd | 11 | ● Hambro Bank | 11 | Yorkshire Bank | 11 |
| Beneficial Trust Ltd | 12 | Heritable & Gen. Tst | 11 | | |
| Berliner Bank AG | 11 | ● Hill Samuel | §11 | | |
| Brit. Bk. of Mid. East | 11 | C. Hoare & Co | 11 | | |
| ● Brown Shipley | 11 | Hongkong & Shangh' | 11 | | |
| CL Bank Nederland | 11 | Knowsley & Co. Ltd | 11½ | | |
| Canada Permanent | 11 | Lloyds Bank | 11 | | |
| Cayzer Ltd | 11 | Mase Westpac Ltd | 11 | | |
| Cedar Holdings | 12 | Meghraj & Sons Ltd | 11 | | |
| ● Charterhouse Bank | 11 | Midland Bank | 11 | | |

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Lisa Wood reports on a survey of international companies

## Welsh workers praised

INTERNATIONAL companies investing in Wales are well satisfied with their employees – once they can find the suitably skilled workers – according to a survey of 165 businesses employing more than 30,000 people in the region.

North American, Japanese and European-based companies were questioned this spring in the survey commissioned by WINvest, a division of the Welsh Development Agency, from Arthur D. Little, management consultants.

The overall view on performance of Welsh workers was described by 84 per cent as either good or excellent with only 3 per cent expressing criticism.

Some companies, however, were finding it difficult to recruit skilled people. While more than 60 per cent found the process reasonably easy, nearly 40 per cent had difficulty. Managerial and technical skills were those felt most widely to be in short supply.

The report said: "Most employers regarded the country as a whole to be their recruiting ground in these categories, and to some extent these comments must therefore be regarded as a comment on the UK labour market as a whole."

On the issue of productivity, companies were asked to compare the Welsh workforce with those in their native countries and where applicable plants elsewhere in Europe. Over 75 per cent reported productivity at least as high as experienced elsewhere.

Asked to compare unit labour costs with those in their home countries, 66 per cent found costs lower and less than 10 per cent higher. Takiron UK, with a plant in Newport, said: "The productivity of our Welsh workers is such that we are now producing more cheaply in Wales than in Japan."

Industrial relations were described as excellent by nearly 50 per cent of companies interviewed with only 3 per cent describing them as poor. Companies recognising trade unions accounted for 54 per cent of the surveyed with a further 7 per cent recognising staff associations.

Of these companies less than 10 per cent said they regarded the organisations as unhelpful. More than 60 per cent said their effect on company performance was positive.

Matsushita Electric (UK), of Cardiff, said: "We have always found our union to be extremely co-operative, to show a strong understanding of company policy and a willingness to work with management for the good of the company. They are reasonable people."

On their workforces' attitude towards new technology and changes in work practices, over 90 per cent described their Welsh workforce as satisfactory or better.

Managements were asked to what extent they had changed their management style in Wales in order to work with Welsh people. Less than 20 per cent said "a lot" with more than 50 per cent saying "hardly at all."

As to the future, the majority of companies said they had firm plans to increase their investment in Wales. Those unsure about future plans cited the general economic outlook or the level of demand for their products as the principal factors influencing such decisions.

## Companies in Ulster 'lagging'

By Anthony Moreton, Regional Affairs Editor

A COMPARATIVE survey of small businesses in South Wales and Northern Ireland has found that Welsh concerns grow faster and serve wider markets.

The main reason for the discrepancy lies in the ability of Welsh companies to produce better quality products, Dr David Hitchens of the Northern Ireland Economic Research Centre told a Regional Studies Association conference.

Research by Dr Hitchens, in conjunction with Dr Patrick O'Farrell of Scotland's Heriot-Watt University, found that 80 per cent of samples from small companies in Northern Ireland were defective on points of quality while being no cheaper than those made by their Welsh counterparts.

Dr Hitchens said the level of skill and the standard of on-job training was lower in Northern Ireland.

The result of stronger growth in Wales was that average employment rose by 31 per cent between 1982 and 1986 whereas it fell by 15 per cent in the Northern Ireland

## BBC reorganisation ideas could mean cuts in programmes

BY RAYMOND SNODDY

THE BBC is considering a reorganisation of radio, including ending Radio 3 broadcasts on medium wave and merging Radio 4 in the evenings with regional radio in Scotland, Wales and Northern Ireland.

Other possibilities being considered include carrying World Service programmes on UK domestic radio and taking some minority parts of the schedule off broadcasting completely and "downloading" to individual listeners or sending tapes by post.

The ideas are contained in a review of the future of radio by Mr Brian Wenham, managing director of BBC Radio, and submitted to the BBC Governors last week.

The review acknowledges that the total radio audience in the evening is only between 500,000 and 1m and argues that resources should be concentrated more during the day, when audiences are much larger. The average Briton listens to radio for an average of 12 hours a week, and the cost of BBC Radio output is equivalent to £18 of the £58 licence fee.

The changes recommended include: an and to splitting up the four networks into seven to offer extra sport, education and parliament during the day; the extra elements should be put together in a single medium-wave frequency; to make room for this, Radio 3 should be moved entirely to VHF by 1988, although many communities of fewer than 10,000 would then not be able to receive the programmes; the creation of a joint Radio 4 UK schedule in the evening, combining present Radio 4 programmes with the "national regional" services of Scotland, Wales and Northern Ireland; more news and factual programmes for young people on Radio 1 and local radio in England to be run on a regional basis in the evening, with one local radio station acting as feeder for a number of neighbouring stations.

# New markets for socialist ideas

JOHN LLOYD

IN NO RESPECT has the politics of the right won so much ground as in its philosophical and political fusion of liberty and the free market. So successful has this been that the left, by the confession of its more perceptive members, has simply had nothing to put in its place except the pragmatic, true, but in this matter so far inadequate observation that this seems to have increased the sum of economic misery at the poorer end of society.

The power of the idea is readily seen in its adoption by Dr David Owen the Social Democrats' leader. Dr Owen has argued, following Milton Friedman and—closer to home and better written, Enoch Powell—that the market is the most continuous and most democratic process available; a register of choices far too myriad to control and which, in Mr Powell's words "helps to mould the world just a tiny fraction nearer to people's desires." In practical Opposition politics, the SDP/Liberal Alliance, especially the Liberal part of it, often baulks at the logic of that position but it has not adumbrated any other.

This intellectual hegemony so long remarked as to be now an article of faith everywhere faces a challenge. The bout of horrified revision which the 1983 election started inside the Labour Party forced it to pull itself together fairly rapidly and to allow Neil Kinnock to take powers which had not been available to a Labour leader since the early days of the Wilson leadership. The message became again that you *knew* Labour made sense; but, except for the considerable claim that it could run the country more humanely than the present Government, no one said why.

Also in the wake of 1983, a group of people set to thinking. Some 50 leftist intellectuals mainly employed in the politics and philosophy departments of universities and polytechnics, began to hold meetings as the Socialist Philosophers Group and to address the goals of the left and how they might be achieved. Publications have now begun to emerge, either directly from this group or owing much to it.

An early marker was a Fabian pamphlet of January 1984, "Equality, Markets and the State," by Raymond Plant, Professor of Politics at the University of Southampton and now a prime mover of the group. Mr Brian Gould, the new Shadow Treasury Secretary, was the first active politician to see the usefulness of it all and last year published his "Socialism and Freedom" (Macmillan), which drew on the group's discussions and the work of Plant and others. Last month the Fabians published another pamphlet, "Market Socialism: Whose Choice?", which addressed the issue of the market and decided broadly, that it was "useful."

Early next year Mr Roy Hattersley will publish a book called "Whose Freedom?" which will confer semi-official status on these still-scattered ventures.

They have been conducted necessarily on the terrain chosen by the right since for a long time the left disdained the fight, saying it was a phoney. But where the political/philosophical project of the right has been to square liberty with wealth and the accumulation of private power, that of the left has been to attempt to square liberty with equality. The right's reference points — Friedman, Hayek, Sir Keith Joseph, the Institute of Economic Affairs—have directed much of their fire at keeping just such an attempt pinned down in the mud. But it is now, having acquired some armour, moving forward.

Here are examples of how the argument is developing. In Prof Plant's essay he argues that freedom to choose a course of action which weakens the value of liberty to others decreases the social sum of liberty. His example could scarcely be more central to current concerns: he says that by plumpinb for private schooling parents secure a "positional" advantage in distribution of a basic resource. In this case an egalitarian would argue for restriction of such a choice on the grounds that "if exercised (it) would enable an individual to impose on others a lower value on their freedom by devaluing the basic means they have to pursue their ends." Put another way, one child's élite education is several children's sink schools.

Mr Gould instances his own (Dagenham) constituents, for many of whom "life is a matter of few options, of subordination to dimly understood rules, of missing out on chances available to others, of a general feeling of powerlessness." They do not regard the real freedoms a democracy confers as unimportant. On the contrary "anything perceived as a serious interference with those fundamental rights would be fiercely resisted." At the same time, though, "the social and economic factors which hem them in and which limit their choices and freedom of action must be reckoned to make them less free at least by comparison with those who have much more extensive economic and social power."

The basis of the argument is clear. Liberty does not consist merely in the absence of restraints (usually defined as restraints of the State) but in the positive possession of "positional" and economic goods. Further, this must not just ensure equality of opportunity but begin to deliver some equality of outcome. Real freedom encompasses not just the freedom money can buy but also that which bestows access to services or other resources. The fact that the unemployed shipyard worker in Gateshead is free to send his sons to Eton has no meaning in the real world.

This, a restated vision of equality, will meet plenty of non-visionary objections. The right has popularised markets (as in shares) and individualism. More fundamentally, the economic strategy of the past seven years has produced a large body of citizens of all classes with a considerable stake in not agreeing that egalitarianism is a good thing, since they are enjoying a marked increase in "positional" and material goods, some for the first time on such a scale. This is the cross-class alliance whose vigour Mrs Thatcher has unlocked. They are contemptuous of those who patronise or disapprove of them on both right and left.

The Government's calculation must be that there are more people who fear they will do badly under a government which proclaims itself for freedom and equality, and less badly under one which insists that the very proof of real freedom is inequality. As Mr Gould and Prof Plant have admitted, and as Mr Hattersley may also confess, much in Labour's past practice and some of its present practice have encouraged that view. But if the thesis now being advanced can make some headway against this conservative orthodoxy, Labour may also succeed in changing its practice.

*John Lloyd is editor of the New Statesman.*

# Customs and practice

JUSTINIAN

THOSE WHO smuggle goods into this country can hardly complain if their goods are seized by Customs officers and subsequently forfeited to the Crown. But what about the wholly innocent owner of property whose goods were taken from him improperly by the smuggler? Can he make a claim for the return of his property? Hitherto the English courts have been very unhelpful to claimants against the Customs. And, despite a favourable ruling from the European Commission of Human Rights in December 1984, last month the European Court of Human Rights, quite unusually, reversed the Commission's ruling in a case brought by a German company, Allgemeine Gold-und Silberscheideanstalt AG (AGOSI) against the United Kingdom Government.

The English statutory law is clear enough, even if it is overly favourable towards the public interest in the control of the use of property. One section in the Customs legislation provides that goods imported contrary to any prohibition or restriction are forfeitable, and as such may be seized.

Any person wishing to claim that the goods are not liable to forfeiture must give the Commissioners of Customs and Excise notice of his claim in writing within a month of the date of notice of seizure. If a notice is given, the Commissioners must take proceedings for the condemnation by the Courts of the seized goods. But the courts will examine only whether the seized goods fall into any of the categories of goods mentioned in the law as liable to be forfeited. They will not examine the question of the owner's innocence in the smuggling of the goods.

Once the goods have been condemned as forfeited, however, the innocent owner has one last possible remedy. The Commissioners "may, as they see fit, restore, subject to such conditions (if any) as they think proper, any thing forfeited or seized." Whether a decision of the Commissioners to restore the property to its rightful owner, or to insist on its forfeiture, could be challenged in the courts lay at the heart of the proceedings before the Commission and Court at Strasbourg.

In August 1975 two businessmen visited AGOSI at its premises where it engaged in metal smelting and also dealt in gold and silver coins. They asked if they could purchase 1500 Krugerrand at a price of £120,000. The sale was agreed, the coins were loaded into a car bearing UK number plates, and payment was made in the form of an unguaranteed cheque drawn on a English bank.

Subsequently AGOSI was notified that the cheque had been dishonoured. The contract of sale contained a provision according to which ownership of the coins remained with AGOSI until full payment for them had been receivsd by it. Meanwhile the buyers attempted to smuggle the gold coins through Customs at Dover. The coins were discovered concealed in a spare tyre in the boot of the car, and were seized. The two men were ultimately prosecuted to conviction, having unsuccessfully taken their case to the European Court of Justice at Luxembourg.

At the time of the smugglers' conviction AGOSI brought proceedings in the English courts claiming that the Customs had no right to seize the Krugerrand at all, on the grounds that a rule of international law was that confiscation without compensation was unlawful. The Court of Appeal rejected that challenge, but Lord Denning did say that it was entirely a matter for the discretion of the Customs and Excise to consider whether the claim of the German company was so good that the Commissioners of Customs and Excise should see fit to release them: "There is a very wide discretion given to the Commissioners under which they can forfeit the goods or release them. That may arise at a later time."

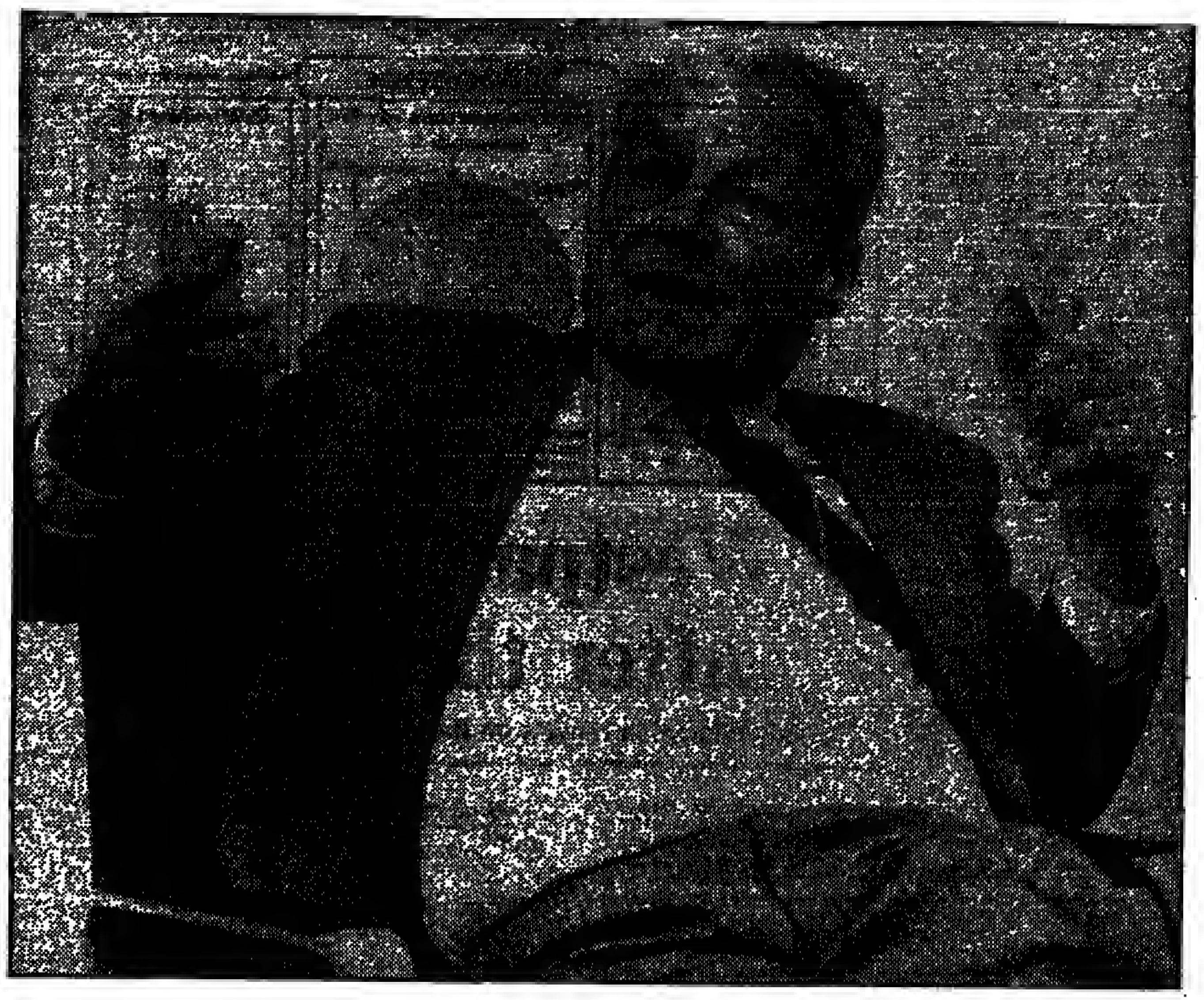
That time duly arose. Early in 1980 AGOSI's solicitors wrote to the Commissioners of Customs and Excise requesting the return of the Krugerrand. The solicitor for the Commissioners replied laconically in the negative without giving any reasons for rejecting the request. The Commissioners had previously in the court proceedings accepted that AGOSI was not implicated in the smuggling and had acted innocently. Indeed AGOSI's directors had given material assistance to the prosecuting authorities in the English criminal trial of the smugglers. They were unrewarded for their co-operation.

AGOSI did not apply for judicial review of the Commissioners' blank refusal to exercise their discretion favourably to AGOSI. That was because it was considered impossible to go behind the Commissioners' decision, or to base any challenge on the ground that there had been any procedural irregularity. Lawyers considered that the Commissioners were not required to give a claimant any right to an oral hearing.

Instead, AGOSI went off to Strasbourg, invoking Article 6(2) of the European Convention on Human Rights and Article 1 of Protocol No. 1 to the Convention.

The European Court, not unexpectedly, ruled that forfeiture did not involve a "criminal charge" and declined of its own motion to consider whether the alternative argument could prevail.

The court held that although there were no procedural requirements in the Protocol, it must consider whether the applicable procedures in AGOSI's case were such as to enable reasonable account to be taken of the degree of fault or care of the claimant and whether the procedures in question afforded the claimant a reasonable opportunity of putting his case to the relevant authorities. In the result, the court held that the process of judicial review in England that was available to AGOSI to challenge the Commissioners' decision was adequate to satisfy the procedural requirements of the Convention. That finding is an open invitation to AGOSI to have a last fling by applying for judicial review of the Commissioners' decision of 1980. Is it too lato?



INTERVIEW

# Relentless pursuit of a vision

## West Germany's Willy Brandt talks to David Marsh

WILLY BRANDT is a different sort of elder statesman — an old man with a vision still smouldering.

No German alive has done more to confront and bring his countrymen to terms with the legacy of the Nazi past, and to prod and lead them in on unfinished and perhaps hopeless struggle to build a new Europe, bridging the post-war divide between East and West.

Yet Mr Brandt has reaped no great reward of public sympathy. Few politicians are more enigmatic, less comfortable, more capable of provoking both loyalty and distrust. His view of the world may be enlightened, but it is aloof from what the majority of West Germans think and feel. And because it tends to be that of an external observer—and one who is hotly critical of Bonn's current strong dependence on links with the US—he has laid himself open to charges of prompting a neutralist drift in the Federal Republic.

Nearing his 73rd birthday next month, an age when less restless men are content to retreat into armchairs and rake over the embers of their memories, Brandt is out travelling the country, making speeches, fighting an election.

A dozen years after he quit as the Federal Republic's first Social Democratic Party (SPD) Chancellor, caught up in a spy imbroglio the full circumstances of which have yet to be explained, Mr Brandt is still at the helm of the SPD. He has been party chairman for 22 years.

Twice divorced, respected but too austere to be loved by his party, he is pushing the SPD, out of government for four years, behind Mr Johannes Rau, its candidate to unseat Chancellor Helmut Kohl's Christian Democratic Union (CDU) in the January elections.

Following the SPD's crushing defeat in state elections in Hamburg a week ago, the incline of what was already an uphill struggle has now become almost vertical. But Mr Brandt points out polling day is still more than two months away.

Mr Brandt's golden age was at the start of the 1970s when he was pushing through his Ostpolitik — normalising West Germany's relations with Moscow and Eastern Europe. Over the past decade, he has occupied himself increasingly with international affairs, as chairman of the International Socialists and of the Brandt Commission, which, despite all its good intentions, has failed to prevent a further widening of the North-South gap. But at home the SPD has been wrecked by internal dissent, moving leftwards from the policies it backed with increasing unease under previous Chancellor Helmut Schmidt, but still squeezed by the gain in popularity of the radically anti-nuclear Greens ecology party.

Mr Brandt has arguably failed to rally his party behind a set of coherent policies which would provide a credible alternative to Mr Kohl's accident-prone administration. This will almost certainly be Mr Brandt's last election as party chairman. And many people (including some SPD members) believe that his legacy will be to leave it, as it appeared in Adenauer's time, the natural party of opposition.

Mr Brandt has had his share of complexities. As a young socialist agitator he fled to Norway from Nazi persecution in 1933, before building up his political career after the war first in Berlin and then Bonn. And he is scathing of the failings of politicians whose view of life and its problems is just too simple.

Mr Kohl has just provoked a diplomatic row with Moscow by indirectly comparing, in an unfortunate interview last month, the "public relations" skills of Mr Mikhail Gorbachev with those of Josef Goebbels, the Nazi propaganda chief.

"How can a German Chancellor," asks Brandt, "in what appears to be genuine despair, "describe Goebbels as a public relations man? He was a propagandist of mass extermination, of mass terror—and now, with the expression 'public relations' he is being made to sound harmless."

The immediate task, though, is the January election. Mr Brandt supports Mr Rau's goal of seeing the SPD become the strongest grouping in the new Bundestag (Federal Assembly). Although there has been some suggestion in the past that Mr Brandt and Mr Rau do not always see eye to eye, the party chairman is now backing the chancellor-candidate's firmly-stated view ruling out any possible coalition with the Greens.

The Right accuses the SPD of adopting a policy of phasing out nuclear power stations over ten years only because of pressure from the Greens. Mr Brandt admits that the SPD in the past, going back 30 years, was a supporter of nuclear power. Is the SPD not being inconsistent?

But he says: "I believe people in the majority are on our side when we say that the risk is too great, and that (nuclear power) is not as cheap as once thought."

Mr Brandt believes that Bonn's role in the super-powers' nuclear disarmament talks will be central to the election campaign. And he hopes that the SPD's discussions with the East German Communist Party, resulting in a joint declaration last month on setting up a nuclear-free corridor straddling the border between East and West Germany, will prove a useful step.

The SPD's move has been dismissed as bogus by the Right on the grounds that the East German Communists certainly do not form a democratic party. Asked whether the SPD would not have done better to talk directly to the East Germans' masters in the Soviet Union, Mr Brandt replies that the declaration was sanctioned by Moscow.

"We don't believe that we have found the solution," says Brandt. "But what steps can the Europeans make when they do not always want to wait simply for crumbs to fall down from the table of the great?"

On the progress towards the elimination of intermediate range nuclear weapons in Europe made at the Reykajavik talks, Mr Brandt comments: "Is it not today more important to test readiness to disarm, rather than to carry on testing new weapons? Why have we talked for years about the zero option for intermediate-range missiles, and then, when signs appear that this could be possible, people suddenly discover how dangerous and dubious that all would be?"

The Kohl Government's overcloseness to Washington means, according to Brandt, that Bonn's role in the disarmament process is smaller than it should be. The specific weight of German policies continues to diminish as long as the Government simply "relays what is said or thought around the President in Washington."

What should be Germany's role in the world? "A good German must not be a nationalist," Brandt said when he received the Nobel Peace Prize (for his *Ostpolitik*) in Oslo 15 years ago. "Nationalism" in the German language, says Brandt, "unlike English or French, is associated with something aggressive, expansive."

"But a country like the Federal Republic, has to care about co-operation in Europe, about bringing forward the peace process. The time of our having the ambitions of a world power has gone. But the Federal Republic can and should play a strong European role—and where possible, the two German states should stand together.

"When the Federal Chancellor adopts the maxim that he should never have any arguments with the administration in Washington, then we cannot fulfil the role which is there to be fulfilled."

He refutes charges of anti-Americanism.

"I know that the relationship with America remains important for us as a state, but also for our part of Europe, the European Community. But that works over a long period only when we do not merely play the role of parrots, but can have an open discussion with the US."

At the start of the 1970s, says Brandt, West Germany "supported by our friendship towards the West," put its relation with the East on a new basis. "At first, not everyone in Washington said it was a good thing; we had to convince them."

Links with East Germany would mean a chance for a more independent European role for Bonn. He dislikes the word "reunification" because of its Bismarckian overtones. However, "when the parts of Europe not only trade with each other and co-operate on pollution and so on, but also—which is what I think possible—move into a process of growing together in the next decades, then we have a position where the two parts of Germany could be closer than other countries."

How long will Mr Brandt be driving towards his vision, at least as party chairman? "My friends know that they would be well advised in 1988 to look around for a new chairman of the Social Democrats. They would have to ask me very, very much for me to carry on."

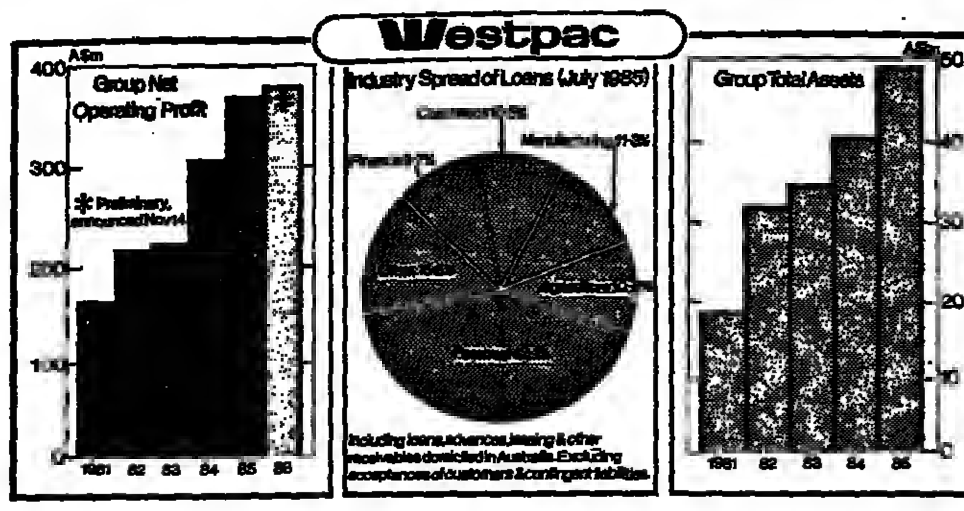
A final question. What does he think Mr Kohl could learn from him? Mr Brandt replies that his age is both "advantage and disadvantage." And he winds up, with *gravitas*: "I know fairly well how the world looks. That would be good for the German Chancellor—to know a little more about the world."

### ● PERSONAL FILE

1913 Born Herbert Ernst Frahm, December 18
1933 Fled to Norway, adopted pen-name Willy Brandt
1945 Returned to Germany
1949 Entered Bundestag as deputy for Berlin
1957 Elected governing Mayor of Berlin
1964 Elected SPD chairman
1966 Foreign Minister in coalition government
1969 Elected federal Chancellor
1974 Resigned chancellorship over "spy in the chancellery" affair
1980-1983 Brandt reports on North-South issues

# MANAGEMENT






# Westpac: dashing after the niches

**Haig Simonian reports on the Australian bank's strategy**

Banks: The challenge of change

WHEN Westpac was suggested as the name for the newly merged Bank of New South Wales and the much smaller Melbourne-based Commonwealth Bank of Australia in 1981 the board was so stunned that it agreed the choice unanimously, according to Ian Matheson, the recently retired deputy managing director.

But if they were taken aback by the name, it was only a momentary pause in a move which was a prelude to a scramble for both domestic and international growth. Since 1981, total assets have increased from A$18.4bn to A$49.1bn in 1985, making Westpac the world's 52nd largest bank.

Growth has not come at the expense of profits. Net operating income at Westpac has risen from A$165m in 1981 to A$368m last year. Nor has the bank's reputation suffered. The once "slumbering giant" is seen as Australia's leading bank at home and, though still establishing itself internationally, is well regarded abroad.

Yet the bank's senior management makes no claim to be spawning another Citicorp. Instead, their response to the new challenges in domestic and overseas banking has been to concentrate on a small number of niche markets.

Consultants showed that Westpac's primary advantage is its presence in the Western Pacific—reflected in its name—and its domestic franchise in Australia. Commercial banking and Pacific Rim trade finance remain very much its bread and butter.

Yet Westpac has had to move fast to cater for domestic corporate clients demanding increasingly sophisticated financial products as they have begun to expand overseas. Treasury, corporate finance and capital markets are where the challenges of international banking in the 1980s have been most acute.

Change began at home with the purchase in July 1984 of the maximum permitted 50 per cent of leading Sydney stockbroker Ord Minnett, a stake which is expected to be bumped up to 100 per cent when rules allow next year. Soon after came full control of Australia's largest merchant bank, Partnership Pacific.

Yet Westpac's growth in capital markets and treasury internationally has been hampered by the need to restructure in London and to take on new staff in New York and the Far East. The bank now has branch status in Tokyo and Hong Kong.

Almost half Westpac's London staff has had to be replaced in the past few years to reflect the shift from retail banking and trade finance to treasury and capital markets, according to Colin Shubrook, deputy chief manager of the bank's London-based European division.

*To speed things up,* Westpac has gone against past practice and hired senior non-Australians for top field jobs abroad. Its New York head, Tony Walton, came from trade finance at Chase Manhattan, while David Murison in London is ex-Schroders. Even Philip Deer, the only Australian among overseas branch chiefs, came in from Morgan Guaranty to look after Westpac's Asian interests until his recent return to Sydney.

Parachuting in top outsiders has caused some cultural and management problems. Despite its internationalisation, Westpac is still a fairly homogeneous and predominantly Australian bank which has tended to grow its own managers, often, like its managing director, Bob White, straight from school. "It's been more difficult for them than for us," says Matheson of the new recruits.

"To say it's been entirely free of tension would be a masterpiece of understatement," according to White. Westpac is certainly not after a Citibank-style "creative tension" which brings up plenty of new ideas but often leaves a string of casualties.

The Westpac style, which allows managers much leeway, has plenty of takers, especially among staff from a non-Westpac background. Iain Thompson, a chief manager for corporate banking, and Paul McCullagh, head of origination at Partnership Pacific — both are non-Australians — claim to have much more freedom of action now than at their previous banks.

Yet Westpac's international penetration is still patchy. The treasury side has been expanded. A new dealing room is open in London, staff numbers have doubled in the past two years, and strong links have been forged between the bank's main dealing centres in London, New York, Sydney and Wellington.

"They do allow line management to manage," says Mike Beales, treasurer of the bank's European division. His department reflects Westpac's niche strategy. Australian and New Zealand dollars are still very much Westpac's specialities, though it has recently been marking inroads in Ecu trading and forward rate agreements.

Buying Johnson Matthey Bankers (JMB) reflected another facet of Westpac's specialised approach. Westpac is already one of Australia's leading gold bullion traders through its Mase-Westpac arm and is highly active in mining development finance.

The JMB link adds membership of the London gold bullion ring and could in time lead to a 24-hour gold trading capability. Closer links may also be forged with the bank's capital markets side.

Slightly more puzzling is this year's other big acquisition of US primary dealer William E. Pollock for $115m, making Westpac one of only five non-US institutions to own a primary dealership. Buying Pollock was very much a leap ahead: the firm will play a pivotal role in expanding Westpac's capital markets activities, especially if the Glass-Steagall Act continues to be eroded, according to Matheson.

"We were looking at opportunities whichever way they came before us," says White. Bank acquisitions in the US and an abortive attempt to buy a US bank's Asian network have been soma of the other ideas mooted to accelerate Westpac's international expansion.

Improving Westpac's response time to such opportunities has been a top priority for Westpac, once nicknamed Australia's "*slumbering giant.*" White thinks such fleet-footedness will become increasingly *important* in *facing* the challenges of global investment banking.

"The challenge now is to mould these [acquisitions] into the bank's overall strategy," according to White. Consolidation is the likely next *stage pending* the completion of a study by ex-BCG, ex-Bain independent consultant Jim Lawrence into Westpac's capital markets strategy.

Bringing together Ord Minnett and Partnership Pacific into some form of Westpac Investment Bank, much like what was done at Britain's NatWest, is one possibility.

Might there also be some belated change of heart over Westpac's *decision* to steer clear of buying a British stockbroker? The bank has lagged behind on the equity side as some of its highly entrepreneurial clients have ventured into international mergers and acquisitions.

Picking up disenchanted stockbrokers after post-Big Bang ripples or developing Ord Minnett's position in London—where it has just bought a *broker-dealer licence on* the London Stock Exchange—are two options.

At *least capital constraints* have been removed for the time being after the Reserve Bank of Australia's decision to count perpetual floating rate notes (FRNs) as primary capital. Westpac had been lobbying for the change for 18 months, and telexes for September's $500m perpetual FRN were issued within 10 minutes of final approval of the rule change, according to White.

Britain's Standard Chartered Bank—or at least its Asian network—has since been tipped as a potential target for a cash rich and growth hungry Westpac, possibly through the good offices of Robert Holmes a Court, one of its major customers.

Yet with Australian corporate taxation some 14 per cent above that in Britain, domiciling a merged bank in Sydney would make scant financial sense. Basing Westpac anywhere but in New South Wales, however, would raise more than a few hackles down under.

*Previous articles in this series appeared on September 8, 22, October 6 and November 3.*

# A 'participative' style


Bob White: postponed his retirement

THE MAN who more than anyone personifies Australia's Westpac Banking Corporation was due to leave his bright wood-panelled office overlooking Sydney Harbour and start a well-earned retirement at the end of October. But the board decided it wanted more—so 63-year-old Bob White is *staying* on another two years.

The decision, made a year ago, has failed to still speculation about who eventually will take over. The debate has acquired added piquancy because, while there is bank*ing talent a-plenty, there is no* obvious heir, inside or outside the bank. One possibility, deputy *managing* director Ian Matheson, was also due to retire in October, and duly went.

If the job goes to an outsider, no one who knows Westpac *ought* to be *surprised.* Since the group conceived its ambitious international *strategy* to become a world bank, it has overcome the major *hurdle* of *staff* recruitment largely by attracting skills from outside.

None of the structural and strategic changes has happened without careful forethought and planning. Anticipating Australia's recent deregulatory trend as far back as the late 1970s, White called in a Canadian consultant to train in-house advisers, hold management seminars and assess individual talents, all in the cause of "unfreezing" Australia's oldest and largest bank, then called the Bank of New South Wales.

At the same time White created a number of task forces to determine the bank's strategy for the 1980s. From *that* came the expensive but vital 1981 decision to merge with the Commercial Bank of Australia, which was dominant in neighbouring Victoria, in order to establish the platform for a projection internationally.

Not only were old operations like accounting, advertising and industrial relations to be integrated, but a new bank, complete with staff uniforms, had to be launched. Only the old bank's famous red "W" logo (for Wales) survived. Hundreds of branches, tens of thousands of staff and millions of customers were affected. "Normal service will never be resumed," said the ads. "We are rolling our sleeves up."

The identified target, the fast-growing Western Pacific, was also only part of the story. Just as the bank needed *its* solid domestic platform, it also wanted high-grade operations in the main international financial centres of London, New York and Tokyo.

*The central effort to* build up activities in Asia is meanwhile going ahead. Apart from New Zealand and the South Pacific region, this is focusing on Hong Kong—the location of Westpac's Asian headquarters—China, Singapore and South Korea.

Presiding over all of this has been the smiling Bob White—a most unlikely banker even by Australia's standards. Apart from four years during the war, he has now been with the bank for 46 years, having joined in 1940 at the age of 17 as a junior clerk. He tried part-time for a degree, but stopped in favour of his work at the bank.

The result is that his long practical experience makes *him* well worth *listening* to. It was he who campaigned for the entry of foreign banks into Australia, and he, with what he calls his "participative" style of management, who has brought Westpac this far.

Now *his greatest worry* concerns the problems of supervision in an era of deregulation and rapid change. That change, he says, is only beginning. "From my perspective, the challenge is not so much how to manage it in the future, but how to pay for it."

## Business courses

Joint venture strategies, London. January 12 1987. Fee £395 individual + VAT; £355 each additional participant + VAT. Details from Frost & Sullivan, Sullivan House, 4 Grosvenor Gardens, London SW1W 0DH. Tel: 01-730 3438. Telex 261671.

Leveraged and management buy-outs, London. December 10-11. Fee: £517.50 per person. Details from IIR, 44 Conduit Street, London W1R 9FB. Tel.: 01-434 1017. Telefax 01-437 2336.

Leadership skills workshop, Eastbourne. December 1-5. Fee: £810 plus VAT. Details from Cherry Bigmore, BIS Applied Systems, 20 Upper Ground, London SE1 9PN. Tel: 01-261 9237. Telex: 919642.

Standard conditions of government stores contracts, London. January 20-21. Fee: £454.25. Details from Miss J. K. Van Wycks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111. Telex: 896827 TACS G/Ref 1202.

Avoiding product liability, London. December 11-12. Fee: £460 (before November 27); £483 (after November 27). Details from Cordelia Currier at Lion International, Premier House, Southampton Row, London WC1B 5AL. Tel: 01-833 2705/6. Telex: 24687 IMPEMP G) Attn: Lion Intl. Fax: 01-330 6458.

## Fellowship

IN A MOVE designed to forge a closer link with industry, Fitzwilliam College, Cambridge, is establishing a Business Fellowship which it hopes will attract senior company executives. The step has been taken as a direct result of a symposium held in September 1985 and hosted by the college at which representatives of government, industry and universities discussed issues and problems of funding higher education in the UK and explored the extent and nature of common ground.

The scheme is designed so that copanies can second individuals as Visiting Fellows of the college, a status which allows them access to such university facilities as libraries, faculties, research groups and *departments,* as well as lectures, seminars and classes.

It is felt that the fellowship would allow a senior executive to use the college's facilities, for example, to establish priorities or overcome particular strategy it may be working on.

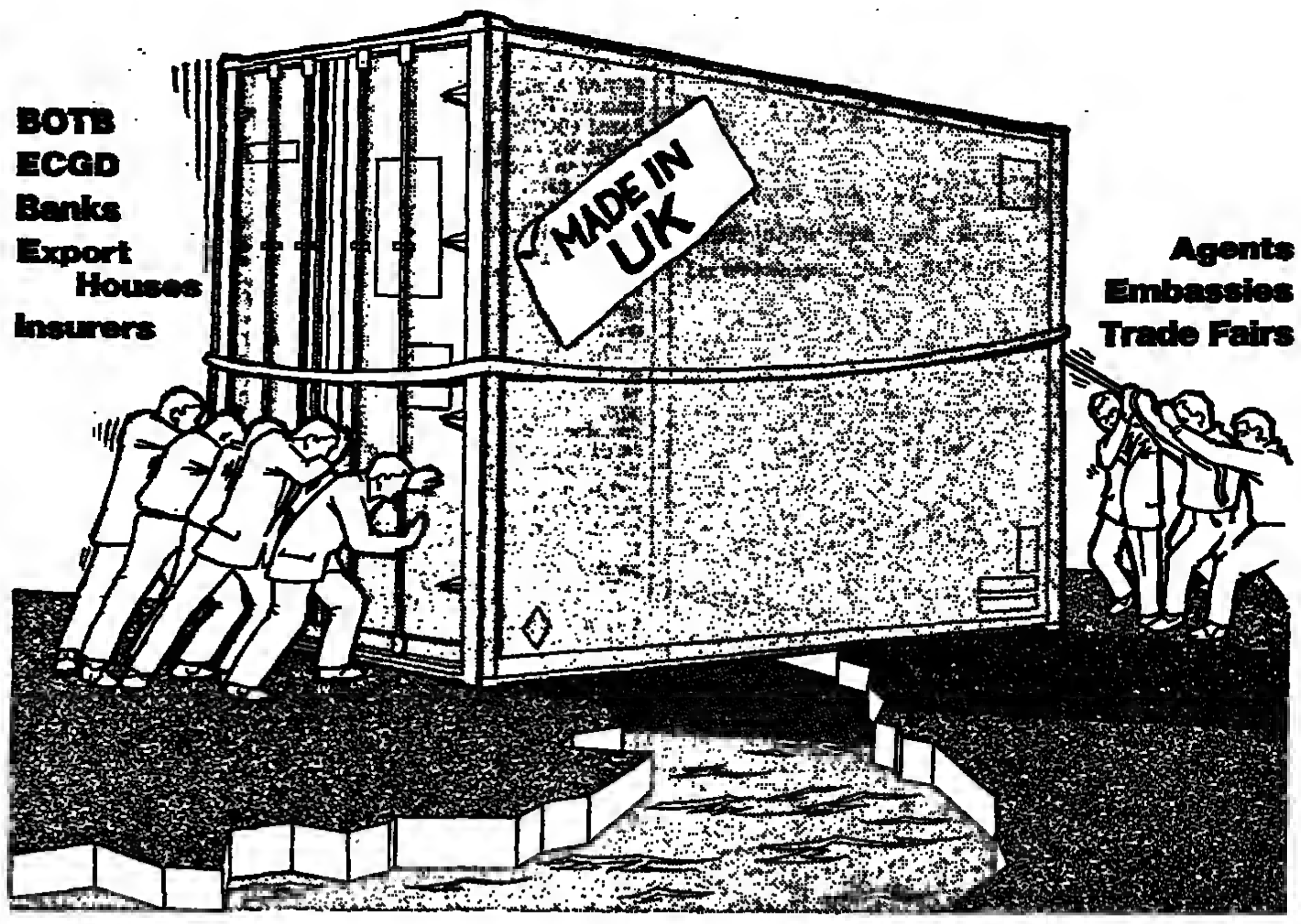
*Up to two Business Fellows* will be accepted at any one time.

# FINANCIAL TIMES SURVEY

Monday November 17 1986

# UK Export Services

The official export promotion effort has been subject to pruning in spite of Britain's growing deficit in manufactured goods. Greater self-help and increased reliance on private sector sources of assistance may have to be the answer




## Public money seeks better returns

By Christian Tyler, Trade Editor

AS BRITAIN'S trade deficit in goods becomes ever more exposed to view by the fall in oil revenues, attention has been turning to the level and quality of support for UK exports.

By the end of the third quarter of the year, the cumulative deficit on non-oil trade had reached £9.4bn, compared with deficits of over £10bn in the previous two full years.

Exports of manufactures have been picking up recently and should continue to grow steadily, according to the Chancellor's autumn statement, but that will not be enough to prevent 1987 showing a £1.5bn current account deficit, the first since the Conservative election victory in 1979.

The City of London remains a world leader in terms of the financial and other export services it provides, in credit insurance, discounting of bills, the forfait market, and sophisticated loan packages to finance project work and capital goods sales overseas. There is growing expertise in countertrade.

Government support for exports has been affected by the pruning of departmental budgets, in the British Overseas Trade Board and the Foreign and Commonwealth Office. But there is little evidence that any serious damage has resulted.

Indeed, independent surveys and parliamentary scrutiny tend to show that industry is broadly satisfied with the service it gets from the official export promotion effort: the real problem seems to be that not enough companies bother to take advantage of it.

For example, only about 6,500 companies have so far registered on the market opportunities computer bank run by the Department of Trade and Industry and fed by the foreign service.

Bigger export promotion budgets for both these departments would probably more than cover the cost in terms of increased market share: the present rates of return certainly look impressive. But it is not necessarily the best use of public money to provide more services that exporters should be providing collectively or individually for themselves.

The chambers of commerce in London and Birmingham, and to a lesser extent in Manchester and Glasgow continue to run their trade missions with some BoTB support in many markets. But the weakness of the British chambers elsewhere in the country and of trade associations generally, means that grassroots support for smaller companies is still probably inadequate.

In other countries, where membership of chambers and associations is compulsory, there are large budgets available for export promotion. British companies with their long tradition of competing fiercely with each other for foreign orders, seem institutionally disinclined to band together in the name of Great Britain Ltd.

As UK manufacturing trade shifts away from former colonies towards the safer US and Western European markets, the role of the Government's Export Credits Guarantee Department has diminished. The ECGD's performance has been under close scrutiny since it ran into a cash deficit three years ago because of the world recession and the developing country debt crisis. Today the deficit stands at about £800m, and is expected to climb to nearly £3bn by the end of the decade.

Wholesale reform of the agency, still one of the world's largest, has been considered and rejected by ministers. But the ECGD has been revamping its premium policies to try and win back business in better markets and installing new administrative systems to meet criticism of its slowness and inflexibility. The first results of that exercise will be announced any day.

Meanwhile one major scheme, the comprehensive bank guarantee for short-term business, is being withdrawn and other loss-makers are still on trial. Any reduction of the ECGD's cover is likely to be greeted with protests from industry; in the case of the bank guarantees, several private sector alternatives have sprung up to take their place.

As a result of these measures —tougher underwriting and internal streamlining—the ECGD is now paying its way on new business.

Private credit insurance has grown rapidly in response to customer demand for a more selective cover than the ECGD has traditionally offered; so far, the two appear to be complementary rather than competitive. Meanwhile, new private factoring companies have emerged to act as middlemen especially for smaller exporters who have difficulty finding their way through the ECGD maze.

Falling overseas orders for capital equipment and big construction work have forced the banks to cut back their export finance departments and to concentrate on the short-term business. As the market has become more difficult, the sophistication of loan packaging has become greater. Competition between the banks has also increased as exporters shop around for the best support.

Meanwhile, the Government has embarked on a campaign to cut the cost of subsidising project finance. It is locked in negotiation with the banks for a reduction in the margins they receive for lending longer-term under ECGD auspices. After a furious initial response to the proposals, the banks appear to have accepted government plans for making much greater use of the capital markets, provided their reimbursement for arranging the initial loans remains high enough.

The bigger exporters continue to press the Government for a better system of administering that part of the British aid budget that is reserved for matching foreign offers of concessionary finance for major projects. The chief innovation in the past year was the creation of three soft loan facilities, for China, Indonesia and India, to replace the more cumbersome mixed credit arrangements.

Soft loans will be less of a drain on the aid budget in the short run, but no cheaper than mixed credits in the end. But with negotiations resuming at the Organisation for Economic Cooperation and Development in Paris next month to find ways of making subsidised credit a great deal more expensive for every rich nation, it remains to be seen whether exporters will welcome a successful conclusion or simply redouble their pleas for more government expenditure.

Export promotion is one of those things against which nobody will argue, especially not at a time of severe pessimism about the prospects for Britain's manufacturing industry. The habit of turning to government for help when markets turn down is thoroughly ingrained.

Yet it remains an open question whether government, however much money it may be ready to devote to the cause, can make more than a marginal contribution. The law of diminishing returns can take over very quickly.

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# Export Services 2



## British Overseas Trade Board

# Promotion makes more use of technology

SMALLER companies seeking to increase their exports are getting a big shot in the arm from the British Overseas Trade Board (BOTB) which has set as a priority the use of new technology to broaden the country's export base.

The BOTB's latest piece of persuasion is on a video-cassette supplied to thousands of smaller UK companies. It carries the message: "You don't have to be big to succeed overseas."

The cassette explains the services offered by the BOTB as the Government's chief export promotion arm and examines the hurdles facing small companies trying to enter the export market.

The promotion is an essential part of a new drive to exploit the benefits of new technology to help bolster the country's patchy export performance.

The BOTB, a division of the Department of Trade and Industry, acknowledges that in the face of the budgetary shakeout that has affected all government departments in recent years it has taken some time to adjust new technology potential to export promotion.

But under its new chairman, Sir James Cleminson, former head of Reckitt and Colman, the household products and food group, it is now surging ahead.

*At the core of the technological change is the BOTB's export intelligence service which formerly relayed information on export opportunities in the form of printed newsletters to exporters. For some years the EIS has been computerising its database, and now operates an ICL-made base in Eastcote.*

Last year it completed the introduction of a new, fully integrated, on-line computer system. It is hoped that by next year it will have on its database some 80,000 export intelligence notices which it will be able to hold for up to two years.

It is on the way to becoming fully on-line to the BOTB's 10 regional offices in the UK.

BOTB officials claim that a great advantage is its close co-operation with the Foreign and Commonwealth Office, and in particular the commercial sections of Britain's many embassies.

Telexed information from commercial counsellors is now screened, classified, edited and computerised. The efficiency inherent in such a programme has meant a vast reduction in paperwork and has enabled the BOTB to reduce its research staff by 20 while at the same time allowing it to process some 42,000 pieces of information a year.

For example, any exporter seking information on a subject such as frozen peas shipped to West Germany will be able to get quick information on EIS notices on the subject, details of local duties and taxes, packaging, labelling, importers, agents and joint-venture requirements.

**Use of BOTB Resources**
(in export promotion)
Net cash spend plus Overseas Trade Divisions and *Regional Office Staff costs*

| | 1984/85 £m | 1985/86 (estimated) £m |
|---|---|---|
| Collection and dissemination of market intelligence | 4.0 | 3.6 |
| Trade Promotions of which | 20.7 | 19.2 |
| trade fairs and related events | 17.3 | 15.9 |
| *Outward Missions* | 2.3 | 2.3 |
| Inward Missions | 1.1 | 1.0 |
| Other Services of which | 6.3 | 7.3 |
| *Export Marketing and Research and Advice* | 3.1 | 3.3 |
| Market Entry Guarantee Scheme | 1.8 | 2.5 |
| Publicity and Promotion of BOTB Services to industry and overseas publicity associated with UK participants in trade fairs and missions | 2.6 | 2.6 |
| Capital projects overseas | 5.1 | 5.0 |
| General advice and export promotion; support for export promotion services; planning, evaluation research | 7.4 | 7.9 |
| *TOTAL* | 46.1 | 45.6 |

The BOTB acknowledges that it has only so much room for manoeuvre, for UK exports are essentially demand-led. As a result of membership of the EEC, the UK's trade has shifted enormously towards the Continent and away from the traditional Commonwealth trading partners.

The strong dollar and the corresponding weakness of sterling have also meant a natural boom in UK sales to the US. The total value of British exports last year was a record £78bn, 58 per cent of which went to the EEC and about 17 per cent to the US.

This is no cause for complacency, however, especially in view of this year's downturn in exports and an outlook for around £70bn in sales abroad.

Instead of riding the crest of UK sales to its best markets, the BOTB has taken an initiative to promote sales to Scandinavia in an effort to curb the erosion of Britain's market share, and to Canada, where UK trade has moved from a deficit to a generally even balance.

Hugh Routledge

Sir James Cleminson, the new chairman of the BOTB sterling now at its most competitive

The rationale behind the Canadian promotion is that this market, comprising a population of 25m, had been neglected in the face of enormous US demand. But as many Canadian needs and tastes are similar to those of the US and Canada provides a relatively uncomplicated base for UK companies to export goods to its huge southern neighbour, the BOTB put promotional efforts into increasing sales to Canada.

The organisation, with a staff of 950, also refused to become discouraged by the Latin American debt crisis. Its research showed that substantial cash-for-goods business was still going on in Latin America and that Britain was losing some of the business, especially in chemical products.

So the BOTB sent out an alert to UK chemical companies to intensify marketing efforts in the region; and this, the board says, has resulted in a turnround in Latin American chemicals purchases for some companies.

The main thrust of the organisation's promotional efforts is to help small concerns, those with 200 employees or fewer. Big companies usually have well-established export sales departments and, except for chemicals, generally need less BOTB support.

It is noted that some 80 per cent of exports are provided by 12 per cent of UK companies, suggesting that small concerns' share in the country's export success is still inadequate.

In an effort to improve this performance, the board, along with the Institute of Export, the Confederation of British Industry and other trade associations, is backing Export '86, the second annual trade fair, scheduled for December 2-4 at The Barbican in the City of London, which is directed mainly at small exporters.

Underlying the UK's export performance is the value of sterling, which, according to Sir James Cleminson, is now at its most competitive ever in relation to the UK's main trading partners. He is therefore urging exporters, both large and small, to keep their production costs as low as possible and thus avoid losing this valuable advantage.

Sir James, as head of a big company whose products are small, price sensitive and sold overseas, speaks from first-hand knowledge of how a strong pound can harm exports.

In a recent interview he noted that UK non-oil exports took a beating at the height of the oil boom in the late 1970s when sterling was valued at \$2.40 against the dollar, and DM 5.15 against the D-Mark.

Many small companies, unable to maintain exports against such unrealistic values, simply went to the wall. Britain's role as an industrial exporter is only now recovering and even so its performance is somewhat patchy.

Underpinning the board's activities are its 15 international trade advisory groups, such as the British South Asian Trade Association, the Sino-British Trade Council, the Committee for Middle East Trade and the European Trade Committee.

These groups have grown "somewhat like Topsy," said one official, under the umbrella of the BOTB, and they individually spearhead developments in UK trade attitudes and trends as well as working closely with foreign chambers of commerce in the UK.

With a net cash expenditure estimated at £45.6m for 1985-86 to support British trade (including staff costs), the BOTB is anxious to get as clear a picture as possible of its cost-effectiveness.

It requires all chambers of commerce whose missions it helps to subsidise to report back on the findings of mission members about overseas business to be won. Similar reporting back is undertaken at trade fairs and related events. It is not an easy exercise, and the BOTB tries to separate orders that would have been gained without its participation from genuine new business that can be traced wholly to BOTB support.

According to one senior official, the narrowly defined cost-benefit ratio is 1-50, so for every pound spent by the BOTB to boost exports about £50 is earned by the exporters.

Last year the board spent some £19m on trade promotions, fairs and related events, £2.3m on supporting outward missions, and £7.3m on other services, including export market research and advice.

**Frank Gray**



## Export Credits Guarantee Department

# Greater emphasis put on profitability

BRITAIN'S Export Credits Guarantee Department is searching for a new approach to business that will satisfy its twin, and often conflicting, objectives of support for UK exports and financial independence of the taxpayer.

Founded as long ago as 1919, *ECGD is the world's oldest and most experienced export credit insurance organisation and served as the model for similar bodies in other countries.* But the losses that hit it after the developing country debt crisis broke in 1982 brought parliamentary criticism in their wake.

*Now it is being compelled to modify its business approach by placing a greater emphasis than before on profitability and commercialism in its dealings.*

Partly as a result of this, the share of British non-oil exports guaranteed by the department has dwindled to little more than 20 per cent and some bankers and exporters question its relevance to Britain's export promotion effort. In an effort to reduce its loss, the ECGD has sought to pull back from the more difficult areas of business and engineer a shift in its portfolio towards safer, more secure risks.

Mr Jack Gill, the career civil servant who heads the ECGD and is due to retire shortly, says there are also outside factors at work in the department's declining share of the export insurance market. British trade has, for example, been shifting away from developing country markets for which exporters have sought official guarantees in the past. A lot of this business was project-related and there has been a pronounced slump in project business since the debt crisis brought recession to many developing country economies. At the same time the phasing down of interest rate subsidies and the decline in world interest rates means that fewer exporters are looking to the ECGD as a means of arranging cheap finance.

As far as Britain's overall trade effort is concerned, the shift of exporters into more secure developed country markets should theoretically not matter, but it does have an impact on the ECGD. "Given that we are trying to run a business we do need to look a bit carefully at the fact that a big proportion of trade is not insured with us. We would like to get at some of that business," Mr Gill says.

**ECGD buyer credit and specific guarantees**
(For business of £10m or more)

| Type of goods | 1982/83 Value £m* | 1983/84 Value £m* | 1984/85 Value £m* | 1985/86 Value £m* |
|---|---|---|---|---|
| Agricultural, farming and forestry goods | 48 | | 19 | |
| Communication and entertainment | 3 | 66 | 167 | |
| Construction and civil engineering projects and equipment | 597 | 641 | 271 | 71 |
| Electric power plant and equipment | 1,823 | 326 | 288 | 116 |
| Manufacturing plant and equipment | 628 | 51 | 206 | 21 |
| Mining and refining equipment and projects | 1,787 | 285 | 61 | 159 |
| Transport equipment and projects | 386 | 395 | 197 | 37 |
| Miscellaneous | 311 | 269 | 392 | 1,295 |
| Aircraft, aeroengines, ships, marine engines | 1,392 | 345 | 414 | 755 |
| Totals | 7,374 | 2,438 | 1,974 | 2,514 |

*Includes foreign currency guarantees converted into sterling at March 27 1986 exchange rates

*Source: Overseas Projects Board*

ECGD's present thrust is two-fold. *First, it is trying to cut its costs by altering and phasing out programmes that are not regarded as cost-effective.* Second, it is trying to streamline some of the existing services to make them more competitive with what the private sector has to offer.

Due to be phased out by next year is the comprehensive bank guarantee scheme which allows exporters to insure the whole of export turnover in short term trade (defined as the repetitive sale of goods made in the UK on credit terms of six months or less). At the same time the ECGD along with the Treasury and Bank of England is engaged in negotiations with commercial banks over a reduction in interest margins that apply to ECGD guaranteed loans.

Mr Gill says he regards the private sector insurance market as complementary with the ECGD, but it is clear from its current approach that the ECGD is gearing up to compete more effectively with the private sector. Last month it announced it was reducing the premium rates charged to exporters for major projects in first-class markets. The aim was to attract business which would normally bypass the ECGD because of the high level of premiums in these markets as well as to promote a shift in its overall portfolio away from the worse class risks.

Moreover, Mr Gill says that the ECGD is now prepared to consider offering insurance on a selective basis rather than on its traditional comprehensive basis which involves insuring an exporter's entire turnover. This will make it more flexible and make it better able to tailor policies to an individual exporter's needs.

"If we're going to balance the books we need a more discriminating premium system," he says. With the new technology now available there is more room to have such a system which would allow ECGD to arrange individual deals. For example, a firm might accept a larger first loss to get a lower premium rate.

Similarly ECGD is now in the process of developing systems that will speed up its underwriting. Using a computer data-base it aims to be able to offer a 24-hour decision turnround for its basic services.

ECGD is due to anounce its latest financial results today but already there is some evidence that its more commercial aproach is paying off. Mr Gill claims that new business taken on since 1983 has broken even. Its borrowings from the Government's Consolidated Fund on which it draws to meet underwriting losses are up to about the £800m range. This is inside the last public forecast of a deficit of £3bn by 1990.

Yet, many bankers who deal with ECGD have their doubts. "The support that ECGD can give in terms of its range of policies and markets it can cover is eroding," says Mr Campbell Dunford, chairman of the British Export Houses Association and managing director of Midland International Trade Services. A millstone round the department's neck remains the debts it guaranteed to developing countries before the debt crisis broke and which are now being rescheduled.

At some stage this problem would have to be tackled if the ECGD is to become fully profitable again. At the heart of the argument is the continuing uncertainty over what ECGD's role really should be. If it is to be a major official arm of the UK's export effort it cannot be expected to operate on a purely commercial basis; if it is simply to operate as a break-even provider of services to exporters, then it is hard to see a need for government involvement at all. Bankers says the Government's policy is confused in this respect — and that, as much as the low salary likely to be on offer, may be one reason why the Government could have difficulty recruiting a successor for Mr Gill.

**Peter Montagnon**

Foreign Office

# More support urged for diplomats

IN THE DAYS of gunboat diplomacy before telephones and airplanes were invented, British ambassadors could declare war. These days, they are more likely to find themselves lobbying ministers on behalf of British engineering contractors.

Today's communications may have stripped ambassadors of their power, but, as one diplomat observed, they have added enormously to the complexity of the job.

Businessmen still occasionally complain that diplomats are living in a bygone age, spending too much time on rarefied political analysis when they should be promoting UK exports.

Recent testimony suggests that it is an unfair picture. A House of Lords select committee, in its celebrated but pessimistic report on Britain's overseas trade prospects last October, had this to say: "The committee have been most impressed with the skill and competence of those engaged in commercial work in the Foreign and Commonwealth Office at home and overseas. As in the case of the British Overseas Trade Board, they think that the Government ought to give more and not less support to their activities."

About a third of Foreign Office resources abroad are devoted to commercial work, at an annual cost of some £50m, or twice those devoted to political work. The Lords noted that demand from companies for advice and information (60,000 inquiries a year) and help with visits had greatly increased while numbers on the ground were reduced. They were also told that the return on investment of the FCO-BoTB service was about 50 to 1, and that the marginal returns are high.

Before it can decide how to allocate its manpower, the FCO has to ask itself the question what its commercial job really is. Is it to help individual novice exporters find local agents and make local contacts in well-trodden markets, or is it to raise Britain's profile in new and difficult markets where there may yet be little UK trade? Should the UK retain its world-wide network, or concentrate its diplomatic forces?

The international network is seen as a valuable asset: it is also justified by the fact that British trade associations, except for those covering chemicals and pharmaceuticals, for example, are generally weak, and only four of the regional chambers of commerce in the UK do much in the way of sponsoring trade missions.

The payback from increasing staff in, say, West Germany is probably both large and immediate, while the return on investment in Brazil, Nigeria or China will be small and further into the future. On the other hand, exporters should be able to look after themselves in Western Europe, while in the state trading and developing countries, diplomatic mediation is probably essential.

Public expenditure cuts have forced tha Foreign Office to look more carefully at what it does in terms both of the services it performs and the deployment of its personnel. A "cost-impact management" group including DTI and FCO officials and set up about a year ago will be making recommendations.

Some functions may be dropped altogether. Charges for other services may be increased, and some assistance presently provided free may be charged for in future.

Inspection of commercial posts may be stepped up from once every four years to once a year, which would give the export promotion managers a better idea of how to deploy their troops.

According to the FCO, there is considerable misunderstanding in industry of the role of overseas staff: they are expected to act as export salesmen, a job for which they have neither the training nor the instinct.

Ambassadors will usually have done a stint as commercial officers at one time or another, but not many of the so-called high-fliers of the administrative grade will have much of that experience. A hard-nosed businessman confronted with an Oxbridge graduate serving his time as a commercial counsellor may come away with a most unfavourable impression.

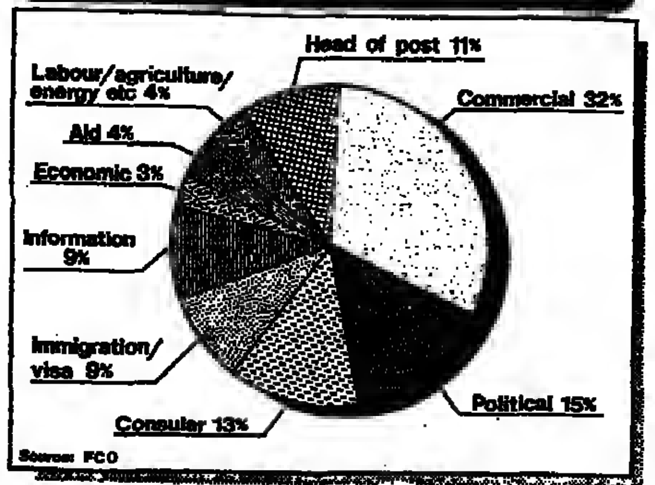
Most of the commercial posts are filled by people recruited into the executive grade, who—at least so far—rarely show the ambition or ability to make it to the top. However, the executive grade entry is now said to be more highly qualified than ever in terms of university degrees. But the pressure of work is such overseas that executive officers can rarely spend all their time on commercial work.

Some of the burden is taken by locally-recruited staff, usually with a business background or qualification, who spend a few years with the British foreign service but cannot make a career of it.

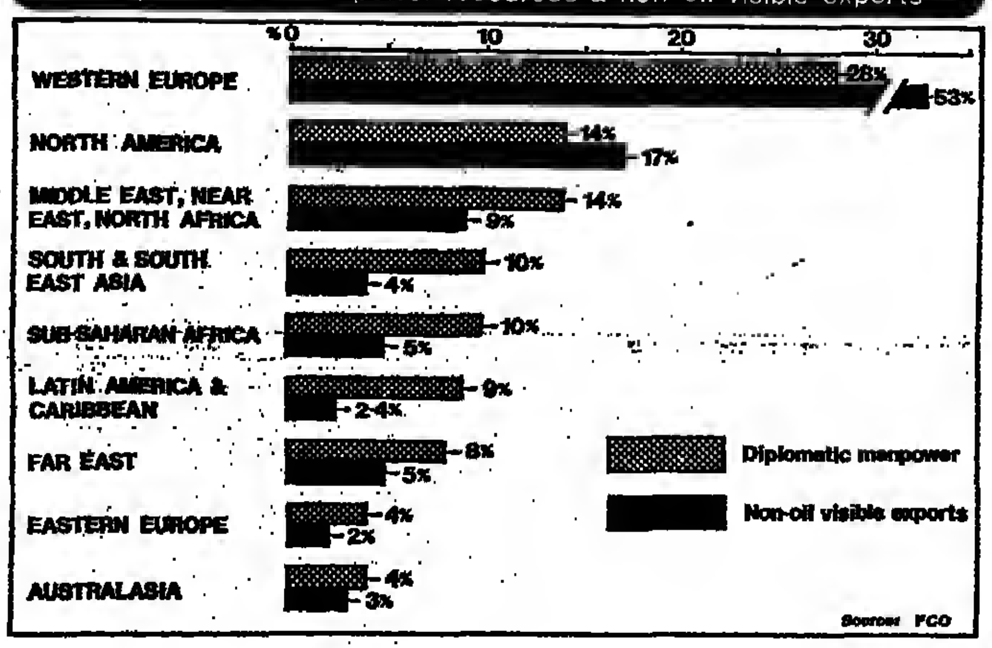
Commercial training in the Foreign Office is fairly limited—an initial five-week course in the UK, with occasional duty tours later to visit companies and attend seminars. The FCO tries to send up to 20 young diplomats a year into industry on secondment, but cannot get its quota back because the rising stars of industry are reluctant to give up two years to an outside employer for fear their careers will be interrupted.

**Christian Tyler**

UK posts overseas - what they do




Comparisons of manpower resources & non-oil visible exports




Aid and Trade

# Everybody's political football

THE BRITISH aid programme has always been something of a political football, since it tries to combine two not always reconcilable aims: to help the development of poorer countries and to sustain British exports and the jobs that depend on them.

But ever since the UK announced its first manufacturing trade deficit since the Industrial Revolution, alarmed industrialists have redoubled their criticism of the way the tied-aid budgets are administered. The football has been kicked about a lot in the last couple of years.

Mr Chris Patten, the new Minister for Overseas Development, has inherited a ministry under siege. In one of his first speeches he brushed aside Press comment that saw him relegated to the political saltmines, and bravely defendad the Overseas Development Administration's traditional concern to prevent domestic commercial considerations overwhelming the external development ones.

"The aid programme isn't going to be a supporters club for anybody except the poor countries it is intended for," he declared. But he showed a ready grasp of the political nettle when he added that he would try to convince those with humanitarian aims that their objectives are not jeopardised by genuine commercial considerations, and at the same time to persuade exporters that "developmental quality control" was to their advantage.

There are those in the Department of Trade and Industry who itch to get their hands on the ODA budget, leaving only the humanitarian programme under Foreign Office control. So far, they have been disappointed: foreign policy appears to have outweighed industrial policy.

**Aid Commitments**

| | Bilateral aid | Of which grants | Multilateral aid | Total | Ratio of Bilateral to Multilateral |
|---|---|---|---|---|---|
| France | 4 | 3 | 1 | 5 | 4:1 |
| W Germany | 3 | 1 | 1 | 4 | 3:1 |
| Japan | 4 | 1 | 1 | 5 | 4:1 |
| UK | 1 | 1 | 1 | 2 | 1:1 |
| USA | 8 | 6 | 2 | 10 | 4:1 |

Source: Overseas Projects Board

**Mr Chris Patten (left) Minister for Overseas Development says that the aid programme isn't going to be a supporters' club for anybody except the poor countries it is intended for**

Nevertheless, the combination of industrial pessimism at home, a much reduced project market ebroad and intense export subsidy competition among OECD nations, could give British aid policy a decidedly mercantilist twist.

As it is, most of the bilateral aid budget is tied to the purchase of UK goods, but the terms of that aid (largely because it goes to the poorest countries) is regarded by the exporting community as too generous. If the aid were more often mixed with export credits, exporters argue, it would go much further.

They also complain that Britain devotes far larger a proportion of its already small total aid budget to international agencies (where it is of course not tied) than do competitors like France, West Germany, Japan and the US. Even so, statistics produced by the ODA suggest UK contractors get more than their fair share of work funded by multilateral agencies.

Within tha bilateral budget there is the aid and trade provision (ATP), specifically created to match predatory financing practices of the foreign competition but still subject—at least in theory—to developmental criteria. The size of the provision, currently £90m, is not so much in question—although industry would certainly like to see this budget expand et the expense of others—as the way in which it is administered.

In the last year or so, however, the ATP has to all intents and purposes become DTI property. The funds can be used to initiate a concessionary UK bid in markets where soft financing of projects has become endemic—South-East Asia for example. The inter-departmental machinery has also been given an oiling. But exporters and their bankers will probably not be satisfied with much less than a complete shake-up of the ministry structure.

One success the industrial lobbies can claim, and that is the creation of soft loan programmes to subsidise sales to India and China of up to £300m each and to Indonesia of up to £140m.

While taking a decidedly more commercial approach to export aid in practice, the Government is still theoretically committed to reducing project finance subsidies by international agreement.

Negotiations resume at the OECD in Paris next month with the aim of raising considerably the minimum grant element in tied-aid export loans.

Success in these talks depends on whether the Japanese can be persuaded to accept a new method of calculating the grant element which will equalise the cost for nations with different currency rates.

But the question is how countries will react if the negotiations do succeed. Subsidising project finance will become much more expensive for everybody. Will governments call a truce in the subsidy war, o rwill they feel obliged to dig deeper into their pockets for the sake of maintaining export-dependent jobs at home? Multilateral disarmament in the aid for trade race could have the perverse effect of making exporters more, not less vociferous than they ara already.

**Christian Tyler**

BBC

# UK products on the air

SMALL UK companies producing goods suitable for overseas markets are being encouraged this winter to take advantage of a free promotional ride being offered by that quintessentially non-promotional organisation, the BBC.

It is not that the BBC is surreptitiously seeking a way to go commercial. Certainly not. Its Science, Industry and Exports Department, part of its busy external services division at Bush House, Strand, is simply stepping up efforts to tell the world about new UK products coming on the market.

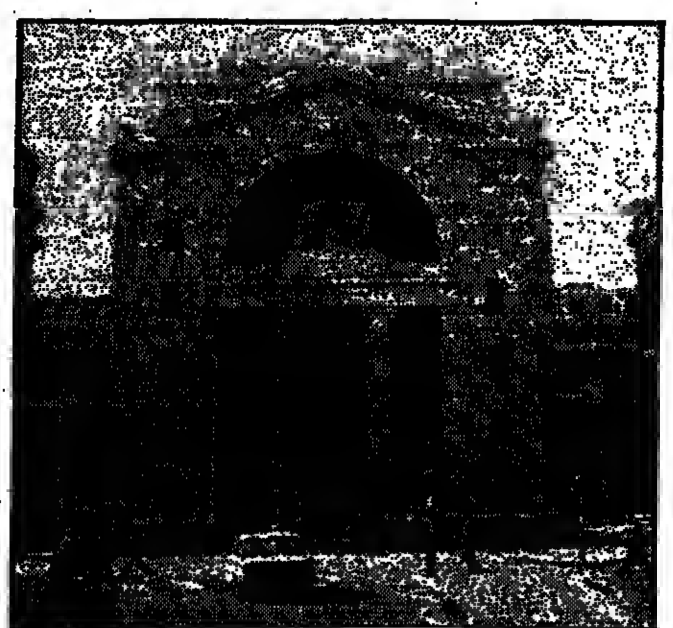
Mr John Newell, the BBC's Science, Industry and Exports Editor, announced recently that the centre of the promotion was the corporation's new "Export with the BBC" videocassette which tells UK companies, mainly small ones with little experience of exporting, how BBC programming can help to sell their products.

The BBC is tackling the job with zest and has sent its representative, Mrs Sheena Harold, around the country on a promotional drive to drive the message home to businessmen.

Mrs Harold is working closely with local chambers of commerce, the British Overseas Trade Board and other trade clubs and organisations to explain the BBC's aims.

The corporation's external services division already has a well-established programming vehicle to discuss advances in UK technology. This it does with such World Service radio programmes as New Ideas, Business Matters, Science in Action, and The Farming World. Foreign listeners to its English language and 36 foreign language services total 120m.

New Ideas, for example, explains developments in manufacturing and technology several times a week, while some of the foreign language services, such as those in the German, Japanese and Arabic, expand the New Ideas format into an even larger, more regionally oriented service for their own listeners.



Bush House in London's Strand, home of the BBC's External Services

The BBC is quick to point out that it is not its business to give "free plugs" to UK manufacturers. Instead it treats information about new products purely as news and for its public interest value.

It has an export liaison unit which carefully sifts through story suggestions, often emanating from corporate public relations people and trade journals. Technical journalists at the BBC then study the subject matter carefully and prepare it for radio broadcasting. The BBC accepts no payment or any commercial compensation for the products it decides to include in its broadcasts and it altruistically agrees to send listeners' queries on to the manufacturer at no charge.

"We feel that it is important in reporting export developments in science and technology that we follow it into the market," says Mr Newell. "In this promotion we go the whole way."

One reason for the BBC promotional effort is that previously it had indifferent results when it invited exporters to briefings at Bush House.

Even so, it can already point to considerable success in the shape of firm orders that have been won after the favourable response of overseas importers.

For example, Dumex, a maker of chemical solvents, says it achieved £100,000 in annual sales to Norway as a result initially of a Norwegian merchant's interest in a BBC broadcast.

In another instance, Arrowin, a manufacturer of glazed assemblies, estimates 1985 sales to continental distributors of glass hatch sun-roofs of £1.5m, from a negligible level in 1983. It attributes much of the overseas interest in its products to BBC external broadcasts.

**Frank Gray**

Private Sector : Banks

# Margins are being whittled down

A PROTRACTED discussion abont the level of interest margins paid by the Governmeot to banks providing long-term export credit has dominated attention et the banking end of export finance this year.

In an effort to reduce the cost of subsidising credit the Treasury sought e sharp reduction in the margins paid to banks as part of the process whereby it makes up the difference between market ratea and the fixed rate of interest paid by the importing borrower under the internationally agreed Organisation for Economic Co-operation and Development (OECD) consensus.

The Treasury initially suggested that the margin oo sterling loans should be cut to ½ per cent from ¾ to 1 per cent over the Londoo interbank offered rate for sterling depoaits. The margin oo foreign currency lending (which is cheaper for banks because it does not involve them in fulfilling the Bank of England'a mandatory liquid asset requirement) was to drop to 1/16 per cent from ⅛ to ¼ per cent.

On the surface such a reduction seemed fair enough. Margins on international bank lending have been falling steedily over recent years and the new rates would only serve to bring the export finance margins closer into line with what the UK would pay for its own borrowings in the international capital market. Yet the proposals drew a storm of protest from the international banking community and nearly a year after the proposals were first made the issue has not been finally resolved.

Bankers say the proposed new margins take no account of the enormous front-end effort that goes into planning the finance for major foreign cootracts. A bank may prepare schemes for 20 contracts but only one of them will see the light of day.

If banks are to continue supporting British exports in this way, they must be rewarded for all the work they do, including the costly business of making offers on contracts that end up being awarded elsewhere.

Export finance is already an overcrowded and competitive market where the overall returns are low. Should the UK scheme become unattractive for them banks might move to other business, they aay.

For example, some banks regard supporting Italian exports through that country'a so-called "triangular" scheme as more attractive. In Italian export credits, the business of providing the government guarantee is handled through SACE, the export credit insurance agency, while the interest-make up is provided separately through Mediocredito, the state financing agency.

This separation makes the scheme more flexible and allows banks to offer packages that are better tailored to individual contracts and reflect their own perception of the end-borrower risk.

Expectations are that the UK margins debate should be resolved fairly soon. Bankers say that the Treasury now understands better their efforts to justify the remuneration they have been receiving, though no one yet knows exactly at what level the new margin rates will be set.

Likely to be introduced as part of the change is a scheme allowing long-term export credits to be refinanced on the international bond markets as this could help cut the cost to the Treasury. Here again, however, there remains uncertainty as to how such e scheme would work.

Bankers say they are worried by the possibility that they would be "bought out" of a deal before it had had time to produca much in the way of return but one suggestion that has been mede is that they might continue to receive a residual margin or fee from the ECGD for the paper work they will continue to do even after a loan has been transformed into e securities issue.

Meanwhile most of the large clearing banks have now introduced their own schemes to replace the ECGD'a Comprehenalva Bank Guarantee scheme for financing short-term exports that is due to be withdrawn next year. National Westminster was tha latest to announce a scheme last month, while Barclaya, the only major clearer which has not dooe so is expected to nnveil its plans before the end of the year.

Arguably the emphasis on the margins debate this year has had a negative impact oo the export finance business generally because it has served to distract attention away from the range of schemes now available to belp exporters, particularly at tha sborter end of the market.

Mr Jack Killick of the Export Credit Clearing House, which serves a brokerage role in export finance, says that there are some 600 institutions in London involved in export finance one way or another. Besides cooventional bankiog there is a growing business in factoring where a bank takes over the business of collecting payments from an exporter's customers aod in forfaiting (which involves discounting export bills for cash). Loodon is now the main international ceotre for this type of business which started in continental Europe a decade ago.

Bankers say there are two clear messages for exporters. First they should be prepared to shop around. Second, to get the best possible deal, they should be prepared to present their case clearly and cogently to their bankers. Sedly for UK exports this is a point which many businesses often appear to overlook.

**Peter Montagnon**

Mr Jack Killick, director of the Export Credit Clearing House: a hrokerege role

Private Sector : Insurance

# Market exploits a niche

RECENT EFFORTS by the Export Credits Guarantee Department to shift its portfolio towards better quality risks have again focused attention on the private sector market for export credit insurance.

Ceotred on Lloyd's, such a market has existed in London since the 1970s, and, according to specialist practitioners, it now attracts an annual premium income in the order of $150m. Theoretically at least, the private sector could step in where the public sector fears to tread.

Yet hrokers say it would be wrong to assume that the private sector can pick up all the slack. After rapid growth until about 1984 the private sector market entered a period of consolidation. It was not helped by substantial claims estimated at between $50m and $80m relating to business in Sudan earlier in the decade and, with the revival of business in the alternative property and casualty sector, a number of underwritera bave drifted away.

Nowadays, says Mr Charles Berry of Berry Palmer and Lyle private insurance still represents the equivalent of a reasoneble sized export credit scheme. "The private market has grown and continues to explore a niche between what the banks and the ECGD provide."

Practitioners in the market are at pains to stress that they do not see themselves as being in competition with the ECGD itself. "The market seea itself as complementary to ECGD; ECGD appear to see it as a direct competitor," says Mr John Freeman of Willis Faber & Dumas (which together with Hogg Robinson ia one of the two biggest brokers in the field).

Premium rates in the private export insurance market vary between 0.1 per cent and 10 per cent, and usually they are more expensive than those charged by the ECGD, but where the private market differs from the state-run scheme is that it can tailor-make policies for individual contracts and risks.

Inevitably a significant portion of its business is done in countries with economic problems, many of which have already rescheduled their foreign debts or are in danger of doing so. This can mean that the ECGD has withdrawn its cover, but when it does so, cover is withdrawn on a blanket basis.

Privete insurers say thet even in the most difficult cases there is often still potential insurance business to be dooe, though this depends very much on the nature of the export cootract conceroed. The private insurance industry does not want to be caught up in a rescheduling as this would force payment on a claim, but some exporters have considerable leverage over their customers; for example, because they are providing machinery which requires spare parts—and credit supporting such contracts is usually safe.

Thus the private insurance market can perform a service even in countriea where there is no ECGD cover. There are, however, a number of provisos. First not all contracts are insurable and some risks may be too great for the market to bear; second the availability of insurance depends on the capacity of underwriters who work on a "country limit" basis in order to spread their risks.

If tha market'a country limit is exhausted privata insurance may be difficult to find regardless of the objective degree of economic or political risk. Finally, because it is tailor-made to fit specific situations private insurance is e complicated business and this may mean it is not economic for smaller exporters.

"The private market very strongly favours the larger and/or experienced exporter," says Mr Sandy Trodden of brokers Bain Dawes Credit.

Lloyd's underwriters are not allowed to take on purely commercial credit risk, but the rest of the market does provide this as well as political risk cover. Lloyd's underwriters concentrate on political risk though this is allowed to include cover against payment transfer delays.

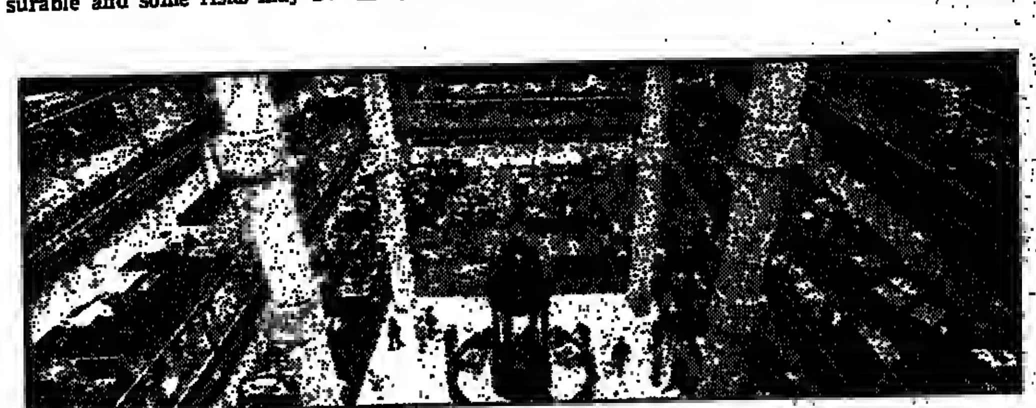
Thus if the transfer cannot be effected tha insurer is obliged to pay up, but the exporter may still have to wait up to e year for his money as this is the period which insurers say would normally be needed for the payment to be made if the transfer was operating normally.

From the exporter's point of view private insurance can therefore be less attractive than using the forfait market operated by banks in which bills are discounted immediately for cash. The thriving forfait market is, bowever, very selective about what risks it will take on and that can still leave private insurance as the best possible alternative.

From the insurer's point of view there is not only the hope that the passage of time will allow the problem to be cleared up. Partly for this reason insurers say they ere not particularly worried about reports that Cuba's failure to meet payments on some of its trade debt since the summer could result in substantial claims on the private insurance market.

At worst these claims would be below initial industry estimates of $300m, and if at the end of the day a claim has to he met the insurer still has a chance of covering some of his losses — for example by selling the debt concerned at a discount to a bank.

**Peter Montagnon**



The new underwriting room at Lloyd's of London



Chambers of Commerce

# London has lion's share

A DILEMMA facing many of Britain's more enterprising business leaders, be they heads of big or small companies, is in choosing the chamber of commerce which can best support their business needs.

No UK company is obliged to be a member of a chamber of commerce, although there are more than 70 to choose from.

This lack of Public Law Status, as the chambers refer to it, means that they remain voluntary associations, a situation that does not look like changing in the near future. It also means that the geographic lines of demarcation that do exist do so under a gentleman's agreement. The looseness of the arrangement means that many northern companies, are members of the London Chamber of Commerce, for example, rather than those in Manchester or Birmingham.

Many companies have dual membership, but the overwhelming majority of UK companies have no chamber affiliation whatsoever.

Many chamber heads acknowledge that this is a classic case of UK "muddling through" and one which, among other things, places continuing pressure on chambers to pay their way.

The London Chamber of Commerce and Industry has by far the lion's share of the business. It has nearly 6,000 members, and claims to be the largest voluntary chamber in Europe. But as Mr Anthony Platt, the chamber's director, points out, it is far short of the membership of the Paris Chamber, which, because of the public law status common in Europe, claims 200,000 members.

The LCCI is followed by the Birmingbam Chamber, with 4,500 members and tha Glasgow and Manchester Chambers, which claim about 2,600 members each.

Because membership is voluntary, the chambers are under constant pressure to boost enrolment or boost services (and fees for those services) such as the arrangement of seminars, trade missions, language training and trade documentation training sessions.

They must also rely heavily on support from the British Overseas Trade Board (BOTB), which belpa the chambers to fund missions and exhibitions.

Increasingly, especially at the London Chamber, support for missions is being sought from banks. The London Chamber sent 18 trade missions abroad to 21 countries last year, and about half of these were supported by contributions from banks with the remainder from the BOTB.

Bank-supported trips tend to put the onus on the organisers to assemble missions that are likely to generate high value business.

The London Chamber aees great potential in bank support and it is the envy of most other chambers simply because it is situated within walking distance of most of the major financial institutions in the City. The reason is that a well-prepared mission, especially one selling high-value capital goods or seeking project business abroad, can quickly benefit from a bank's sponsorship and readily tap the bank's skills in export finance.

While the chambers would like to have the benefit of automatic membership, they argue that their voluntary status prompts them to be more efficient and less prone to the bureaucratic ways of Continental chambers. Indeed, the public law status requirement on the Continent means that few countries have organisations such as the BOTB and, so it is claimed, are less responsive to the needs of individual members.

The London Chamber daily receives queries from 200 businesses. Last year, more than 54,000 inquiries were received. Of these 24,000 were for business contacts and trade opportunities, followed by nearly 6,000 about UK and overseas Government regulations, 5,000 about trade and business names and 1,500 requests for statistics.

The Birmingham Chamber, says Mr Graham Ashmore of its exports section, put together 14 trade missions last year as well as helping facilitate 14 joint ventures and exhibitions overseas.

It tries to strike an even balance in its destinations, though certain missions are becoming regular events. The chamber has organised missions to China for Midlands companies over the past three years while a fourth will take place by the year-end. It has recently organised missions to Turkey, Finland, Chile, Algeria, Japan and Cuba and has planned trips to Mauritius, Réunion, Ecuador and North Yemen.

Most of its support has come from the BOTB, but two of the UK clearing banks have backed missions to North America.

China also figures in the Glasgow chamber's plans. Glasgow was "twinned" recently with the city of Dalian, formerly the treaty port of Port Arthur, and is accordingly organising a trade mission. It also has put together missions to Indonesia and has led three in three years to Saudi Arabia.

Despite the economic downturn in Scotland since the fall in the value of North Sea oil, it has managed to gain 200 members in the past year while it points out that 80 per cent of its members have fewer than 100 employees and 40 per cent have fewer than 10.

A big revenue earner for the chambers is the provision of certificates of origin and carnets for exporters. The carnets are known as "passports for goods," and facilitate the movement of non-saleable items such as exhibits, sales kits and business equipment such as musical instruments and journalists' typewriters and tape recorders.

The Birmingham Chamber says that the documentation service has "no fat" on it but provides a useful turnover. The London Chamber, again showing its relative strength among chambers, derives about one-third of its £3m annual income from such a service, aided by a staff of 30 documentation experts.

It is important to get the relevant documentation right, for faulty paperwork can cause serious problems and delays. The documentation for the equipment that will go with Prince Charles and Princess Diana to Saudi Arabia was recently found to be erroneous and had to be sent back to the Queen's officials to be corrected.

This shows that no matter who the traveller may be the paperwork involved in international commerce must be impeccable.

**Frank Gray**

# THE ARTS

## Sleeping Beauty/Covent Garden

**Clement Crisp**

There was an almost tangible sense of excitement in the auditorium as the music announced the entrance of Aurora in *The Sleeping Beauty* on Thursday. We were waiting for Gelsey Kirkland's first London appearance. Once on stage, that deceptively frail figure in our gaze and the initial steps set out for us, and it was clear that we were in the presence of an Aurora of rare and lovely qualities.

The choreographic drama of the Rose adagio was presented with an exquisite lightness, each phrase lovingly savoured, poses easily held, the movement brushed in with extraordinary delicacy. We were watching both a young princess of sweetest grace and a ballerina entirely mistress of her art. Miss Kirkland gave us, throughout the evening, a portrait of real cogency as well as of abiding technical delights. I regret certain textual emendation that she offered, notably in the loss of the springing entry which leads into the spindle sequence, but in every other respect this was dancing of greatest distinction.

Miss Kirkland's line cannot befaulted—no final pose but is the crown of a phrase; no moment when the movement does not seem fully stretched—and the mechanics of her art, the way dance passes through her body, the way her feet melt into action in their rise and fall from point, are the signs of a magnificent natural gift magnificently trained.

The second act's vision was impalpably lyric, irresistible; the hushed quality of her dancing, sung to us, as it were, on a beautifully rounded pianissimo, was especially rewarding, but both the first and third acts were no less well-reasoned and conceived as emotional and choreographic entities. If I have one complaint it is that for the *entrées* of the great last act duet Miss Kirkland opted for emphatic accents, sudden accelerandos which did not so much enliven the text as dislocate its grandeur and serene breadth.

Miss Kirkland had the inestimable advantage of Stephen Jefferies as a highly responsive Prince, and she further benefited from Donald MacLeary's flawless partnering in the first act. These were the highlights of an otherwise workaday performance.

## Pinocchio Boys

**Michael Coveney**

The Young Vic Studio annexe has at last become a useful venue for our best small-scale touring groups. Foco Novo's Tunde Ikoli double-bill is succeeded by Paines Plough and a lively new play by Jim Morris which shows three reckless, restless Liverpool lads breaking out of school and into a criminal joyride. A policeman, warning them off car theft, says he has never arrested a man who smokes a pipe.

The lads promptly adopt three puffing talismans and embark on a trip that takes them from the adventure playground they helped to build, to a neon-lit club that forbids casual footwear, and a crazed excursion in the Welsh foothills. They are unwanted stars of their own locations, but assume the spurious glamour of time travellers overseen by the hubristic helicopter patrol that comes to grief just as arson, petty larceny and high spirits are transformed into really serious crime.

Pip Broughton's production responds to the cinematic fluidity of the writing by replicating some scenes on a bank of seven video screens which designer Lez Brotherston has cleverly wedged among his forest of blue girders. The boys become stars of their own home movie. But the play is also packaged in references to two popular TV shows: the breathless treasure trail of Anneka Rice and the fatuously compulsive quiz programme of Bob Holness. Both personalities are mercilessly impersonated; *Treasure Hunt* and *Blockbusters* are brilliantly plundered as trivial media metaphors of adventure and detection, disjunctive iconography of initiative and reward.

The tearaway trio is led by Ian Hart's trembling fantasist, the one who first communes with Anneka "Reich" as he mysteriously calls her; egged on by Sean McKee's headbanging dissident; and completed by Jake Abraham's archetypal scamp follower. Hazel Ellerby and Kevin Curria play a veritable rogues' gallery of teachers, policemen, media personalities, and do so with dazzling assurance.

A slight dissipation of energy in the second act does nothing to detract from this buoyant achievement of a talented playwright. Mr Morris's comedy is rueful, funny and rough, bang up to date and touching, too, at that point when the old woodwork master bids farewell to his faltering but wide-eyed inventions. School's out, but so is luck for these likeable wastrel voyagers.

## I Want/Old Red Lion

**Martin Hoyle**

Islington sees the London premiere of this two-hander by Nell Dunn and Adrian Henri, performed in Liverpool some years ago. We meet Dolly and Albert in their teens. Against Julie Feedam's colour-smudged gauze panels the passing years are indicated by the duo's costumes. Dolly initially sports Twenties gear, Albert a Fair Isle sweater. She is a poor little rich girl, he a bright working lad from Merseyside. Their affair lasts over half a century, sustained by occasional meetings and frequent letters.

She becomes a cross between Sally Bowles and Emerald Cunard. He, despite a degree, is forced by the Depression into factory work. She takes lovers in Fez, he manages Majorca and marries twice. They never express their love and perhaps unconsciously deliberately allow circumstances to keep them apart. They tell each other they are waiting for the right moment, for perfection; but it never comes.

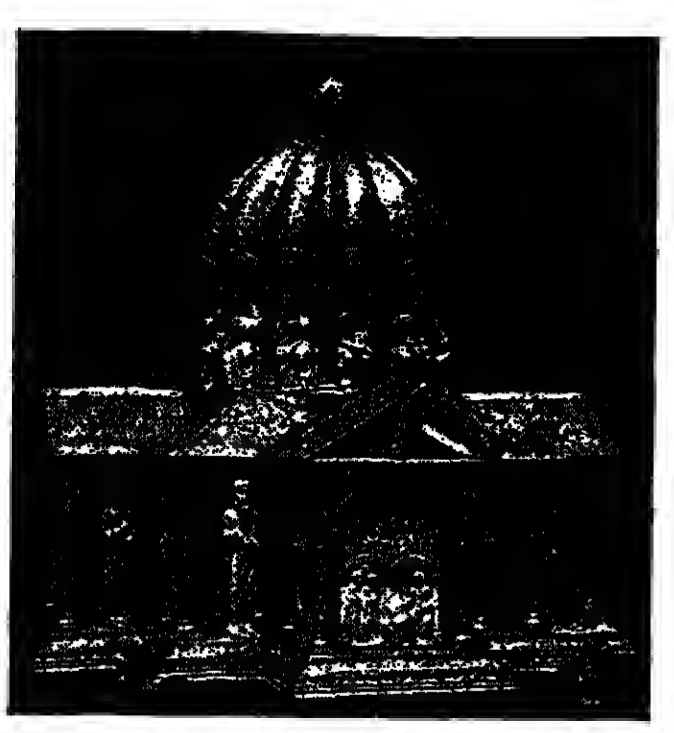
A gentle, affectionate story, then, whose characters remain nebulous. Dolly's wealth is untouched by Depression, war, austerity and the Welfare State. She remains a Twenties figure whose lyrical style suggests an unhappy mating between D. H. Lawrence and Elinor Glyn. "I want to sing with my throat and mouth and tongue," she exclaims, presumably rejecting such alternative methods as that advocated by Le Pétomane. Naomi Buch has the hardest lines to deliver and sounds less like *jeunesse dorée* than a pleasantly broadminded schoolmistress. Carl Chase suffers from the enforced Scouse accent with its inbuilt monotony, but grows old movingly. Michael Elwyn's direction fails to flesh out these sketchy figures completely. What an excellent radio play this would make!

## Architecture/Colin Amery

# Rich crop of exhibitions in London

There is a rich crop of exhibitions in London at the moment as well as the encouraging signs of a renaissance at the major national museum of art and design, the Victoria and Albert. At the V and A last week, the first of a series of restored galleries, called The Medieval Treasury, reopened in its restored and renewed condition. The gradual opening up of the architecture of the museum is encouraging—particularly the clearance of the domed entrance hall and the now clear axis through the Medieval Court, which will soon be open to the new Pirelli Garden.

I plan to write in more detail about the new direction being taken at the V and A but it is salutary to welcome the sponsored work by Trust House Forte, which has exposed to the new light of modern display some of the oldest and most remarkable European Medieval art treasures. Ivories, gold and enamel reliquaries, rare embroideries and magnificent vestments are lit and displayed in a clear and distinctive way. There is a lot to be done at the Victoria and Albert, but as the scaffolding goes and the new consultant architect Michael Hopkins becomes established, it will be possible to judge Sir Roy Strong's legacy.



The Eltenberg Reliquary. Rhenish (Cologne), about 1180—to be seen at the Medieval Treasury Gallery

In those wonderful words to describe the collapse of the tower in St Mark's Square in Venice—when it fell to the ground in July 1902 without hurting a soul—"Il Campanile e stato galantuomo" (the campanile has behaved like a gentleman) — the Venetians described how they felt about their city. But they also saw the fall of the tower as a warning; today it is not just one building in danger but the whole city is in a precarious condition. As the bed of the shallow Lagoon is subsiding Venice is in ever greater danger of flooding and ultimately succumbing to the perils of the very Adriatic sea that brought her into prosperous existence. All this is not alarmist but serious and provable scientific fact.

*The Saving of Venice* is an important exhibition at the Warwick Arts Trust Gallery, 33, Warwick Square, London SW1. (Tel 834 7856). It runs Wednesdays to Saturdays until December 19, and is open from 10 to 5. The exhibition is about the salvation of the most beautiful city in the world. It is a telling and moving story, which anyone who considers himself a friend of that city should see. Only if Venice is seen as an internationally soluble problem can its future be assured.

A quite splendid and moving exhibition on quite a different subject is to be seen at the RIBA Heinz Gallery in Portman Square. *Landscape with Ruins* shows photographs of 18th century French and English gardens by the Canadian photographer, Geoffrey James, who works in the manner of Eugene Atget. Using a 1920s panoramic camera, he reflects on the creation and persistence of great gardens.

His are extremely moving and perceptive, indeed in a strange way almost tragic, views of the interaction between man and nature: small, clear and sunlit pictures that evoke in black and white the most sublime views. This is a rare and beautiful exhibition, which looks at its best in the cabinet-like space of the Heinz Gallery. It runs only for a month and should be contemplated on a quiet afternoon at a leisurely pace, if possible. There is a mood of meditation and stillness about these pictures which is surely what the creators of the landscapes intended.

For prices from £600 to £50,000 at the Clarendon Gallery, 8 Vigo Street, London, W1, you can acquire one of the *Flights of Fantasy* from the first-rate exhibition of architectural *capriccios*, imaginary projects and stage designs. In the more prosaic world of architecture the better architects are aware that the way forward has to follow the scenographic route. It is the best way for the architect to begin the beautification of our maltreated cities. Bibiena, Clerisseau and Gandy point the way in a spectacular fashion.

We are more familiar with Piranesi than Podesti but it is fascinating to see that architectural effect so often at so many periods derives from the visions of artists and stage designers. The introduction to the Clarendon catalogue puts it all down to Serlio, and tends to look back to a golden age. It is just as possible to see in the drawings on the gallery wall until December 19 valuable inspiration for architects working in cities today.

*Trad Jazz and Modern* is the title of a small exhibition of architectural drawings of the 1920s and 1930s at the Gallery Lingard, 50 Pall Mall, SW1. It is more of an exploratory exhibition of the work of a very mixed bag of architects, and the use of the rather simple classification is sometimes misleading. It seems almost too early for some of these drawings to be elevated to the status of important architectural drawings.

This display is clearly aimed at rich museum buyers from across the Atlantic; worth a detour.

## A Funny Thing . . ./Piccadilly

**Michael Coveney**

Notwithstanding Martin Hoyle's cold douche aimed at this revival on the occasion of its Chichester Festival opening in August, it was with light step and jocund disposition that I approached the Piccadilly on Saturday night. *A Funny Thing Happened on the Way to the Forum* has an interesting Sondheim score (opening with "Comedy Tonight," the item that transformed the Broadway première after a disastrous tour), a sharp and witty book by Burt Shevelove and Larry Gelbart, and a famously helter-skelter farcical resolution.

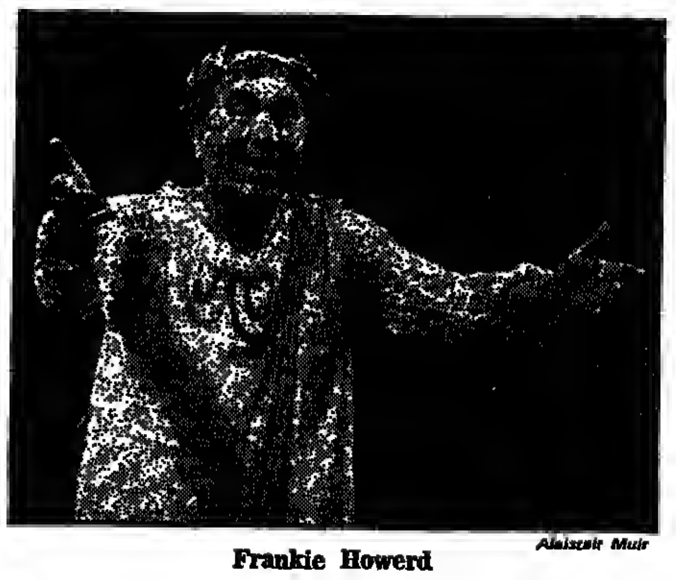
What a mess Mr Gelbart, directing his own revival, has made of it all. There is no pace or life in the evening and Frankie Howerd, recreating the role of the scheming slave Pseudolus looks distinctly fed up, as if resenting the confines of a role which, after he played it in London in 1963, was the source of that most uproarious low TV series *Up Pompeii*.

Howerd hardly bothers with the audience, which is the greatest mistake imaginable. We long to be hectored, bullied and confided in by the old recriminatory, rumpled duvet of Howerd's saggy-jawed face. Instead, God help us, he keeps getting on with the plot. If Mr Gelbart wanted an efficient emcee, he should never have cast a chaotic personality of comic genius.

The show was sub-titled "a scenario for vaudevillians," but I suspect the American style of Zero Mostel, Jack Gilford, and the rest was more in tune with the whippy sophistication of the book and lyrics than is the wholesome cheeriness of their English counterparts. The best performances here are by Derek Royle as Erronius, a tottering customer at the bordello, whose long-lost twins are at the centre of the mock Shakespearean resolution; and Fred Evans as the brothel owner Lycus, thin, bent and lank-haired like a bad impersonation of Henry Irving.

Patrick Cargill is lusty but over-fidgety as the unclean Senex. Ronnie Stevens merely anodyne as Hysterium, making nothing of his fine and frantic point number "I'm Calm." Leon Greene, also in the 1963 production, is still erect and forceful as Miles Gloriosus.

The cast evince no relish even for the constant spattering of witty one-liners: not a titter, for instance, on that reproof delivered to an angry eunuch by the semi-clad Gymnasia, "Don't you lower your voice to me." The orchestral playing is tinny, the design of Tony Walton just tatty, and the whole enterprise curiously dated, disappointing and second-rate.



Alastair Muir

Frankie Howerd

## Tilson Thomas/Barbican Hall

**Max Loppert**

The programmes that Michael Tilson Thomas offers in his London concerts are seldom the routine, meat-and-two-veg compilations that all too many other international birds of passage agree to conduct: some additional point of musical interest almost always underlines them. In Thursday's London Symphony Orchestra concert, it was the juxtaposition of two choral symphonies of very different character that provided the thoughtful note — Stravinsky's *Symphony of Psalms* before the interval, Beethoven's Ninth after it.

It would be an absurd limitation of a conductor's talent to suggest that his suitability to the one work must automatically mean his unsuitability to the other. But Stravinsky's anti-expressive expressivity (as Hans Keller described it) and Beethoven's extension into vocal drama of the Classical symphony do make very different demands on a conductor and his executants; and on Thursday the sense of interpretataive consistency belonged to the Stravinsky.

The *Symphony of Psalms* needs clear orchestral tone, choral singing with none of the massive manners deemed desirable in the masterpieces of the previous century, and a natural instinct for Stravinskyan tempo. Articulation is all: and here, the articulation was authentically lapidary, with no concessions made to alien expressive underlinings (well, almost none: Tilson Thomas tended to expand the commas in the "Laudate dominum" motto just beyond their proper pause-lengths) The chorus, the Pro Musica rather than the orchestra's own assoilate body (why?), delivered their lines with athletic directness of style. The whole work developed a wonderfully serene sway.

A couple of years ago Tilson Thomas and the English Chamber Orchestra gave a Beethoven Ninth in the same hall: the lightness of the chamber-sized orchestra was memorably illuminating. Thursday's LSO Ninth was also characterised by lightness, but rather less satisfactorily so. The hall itself is unkind to large orchestras (bass-line inaudibility, a familiar Barbican weakness, was a specially notable hazard). And because the LSO was not playing all the way through with departmental single-mindedness of ensemble, the early movements felt at once lightweight and unstable—hustled in momentum rather than dramatically urgent.

Tilson Thomas's keenness to fulfil Beethoven's tempo and metronome markings was once again admirably in evidence; and the finale developed a briskness of spirit that was elating, promoted by good choral singing and a well-balanced solo quartet (Benita Valente, Alfreda Hodgson, Arthur Davies, Stafford Dean). But altogether this seemed to me a Ninth between two stools —*too big to be stylistically exact* yet lacking largeness of vision.

## La traviata/Covent Garden

**Richard Fairman**

A couple of cast changes have left the Royal Opera's *La traviata* with a line-up that is wholly East European in origin. There is no reason why that should necessarily be a bad thing. A respectable proportion of the leading Verdians have always emanated from the East. But the performances that came together here—with one happily predictable exception — proved to be unfeeling or unidiomatic to a distressing degree.

The exception was the heart-warming Violetta of Ileana Cotrubas, a *dame aux camélias* well-loved from previous revivals. It is over 10 years since Cotrubas made her first Covent Garden appearance in this role. The camellias have, inevitably, begun to fade since then: the voice can be fuzzy and breathy until it reaches the very top notes, where emergency pressure brings it into focus, and she gasps audibly as she summons the stamina for the longest vocal lines.

Yet all these weaknesses are turned to account in her portrayal of the fragile, consumptive Violetta. It has long been clear that this is a part for which she feels a special sympathy and the intervening years have been used to explore its corners still more intimately. The chill in the tone, for instance, as she realised that not even Alfredo's return can save her brought a greater depth, a greater maturity than before.

At moments like these she is *close* to the very heart of the opera. And that comes as relief indeed, when there is nobody else in the cast who seems to have a hope of even locating its pulse. The support from Yury Simonov in the pit was unhelpful and extreme, lurching from one tempo to another, thrusting forward ideas from the accompaniment with a hysteria worthy of Chaikovsky. Yury Masurok made an unexpectedly formal, uninvolving Germont père.

Finally, there was a major disappointment in the Alfredo of Peter Dvorsky. One might have expected youthful energy and ebullience from this singer, but instead he cut an unlikely figure, humourless and a touch too burly in stance, ill at ease, a constant frown on the face. The singing was solid and confident, but with no spring in the rhythm, no grace in the phrasing, no affection in the timbre. In such company Cotrubas was a lone soul indeed.

### Saxist Chris Biscoe on tour

Saxophonist Chris Biscoe has added Italian trombonist Danilo Terenzi to his regular quintet for a national tour which has just begun. To coincide with it an album, financed and produced by Biscoe and featuring the augmented lineup, has been released on the specially formed Walking Wig label.

The tour continues until November 23 and includes a recording session for BBC Radio's Jazz Club.

## CBSO/Festival Hall

**Dominic Gill**

The finale, and indeed the only high point, of Friday's City of Birmingham Symphony Orchestra concert under the Finnish conductor Okku Kamu was a finely drawn and eloquent performance of Shostakovich's thirteenth symphony — the "symphonic cantata" on five poems by Yevgeny Yevtushenko, which is Shostakovich's most explicitly political and polemical work, composed in 1962 at the height of "the thaw" in the Soviet Union which followed Krushchev's dethroning and demythologising of Stalin.

It is also one of the most directly and simply engaging of all of Shostakovich's major orchestral compositions: and the whole tendency of Kamu's reading—splendidly unfussy, untrammelled—was directed throughout towards achieving the greatest possible directness and simplicity of gesture and texture.

Nothing was allowed to interrupt the inexorable tread of the symphony's famous opening challenge (from which it also takes its alternative title) "Babi Yar" — or the prominence of the words, firmly and resonantly articulated, but without any sort of cloying melodramatic emphasis, by the excellent bass soloist Nikita Storoyev and by the combined male voices of the CBSO, City of Birmingham and Warwick University choirs. I much admired Kamu's containment of the adagio music of the third setting, "At the store"—drawing out the line by slow degrees, and never pre-empting the force of the huge climax. In the fourth movement, "Fears," the extraordinary descent into a ghostly triple-pianissimo underworld—one of the most sombre and thrilling evocations in all of Shostakovich's music—was exquisitely gauged.

The evening began with an account of Beethoven's Emperor concerto by the Russian pianist Dmitri Alexeyev in which almost nothing went right except the notes—and not all of those. I have admired a great many of Alexeyev's performances and records since he won first prize at the Leeds Competition 11 years ago: but this was an unconscionable travesty of the Emperor, coarse-grained, brutal, unrelentingly hammered, without any kind of cogency or poetry. It sounded to me like a performance of the purest panic. I have no idea what is wrong, but I sincerely hope that Alexeyev recovers soon.

## Saleroom/Antony Thorncroft

# Season hits overdrive

The saleroom season hits overdrive this week, although, significantly, the two most important sales are overseas. In New York tonight Sotheby's is selling 46 Old Master and modern drawings from the collection of John R. Gaines, while tomorrow in Hong Kong, one of the best collections of Chinese ceramics to reach the market, that of T. Y. Chao, comes under the hammer, also at Sotheby's.

The Gaines includes that most rare of objects, a sheet of drawings by Leonardo. Very few remain in private hands and this sheet, which mixes studies of children with a technological sketch, is expected to sell for over £2m. It is datable to 1503-06 when Leonardo was at the heart of his powers.

Mr Chao is forced to dispose of the fruits of 40 years of collecting to meet his creditors, but the market for top quality Chinese ceramics seems strong, especially for such choice items as a unique Yongle vase, showing Islamic influence, made in the early 15th century in Imperial Ming blue and white and estimated at around £300,000.

London is hitting back hard, not least on Friday when Christie's offers a view of Flatford Lock and Mill by Constable. It had been "lost" for generations and its importance in Constable's life—it was his first success at the RA—should produce an auction record for the artist of £1m-plus.

In the same sale of English pictures is what has been described as "the finest Herring in existence," not a fish but a portrait by John Frederick Snr of the Master of the Old Surrey Hunt: it carries a £150,000 top estimate. There is also an intriguing work by Landseer entitled *Prince George's Favourites*, in which the pet pony, Newfoundland dog, spaniel, and falcons of the Duke of Cambridge are depicted waiting for him to walk them in the grounds of Windsor Castle.

Sotheby's is also selling British pictures, and can lay claim to offering one of the largest canvases to have appeared in its Bond Street premises. It is by the American artist Benjamin West, who worked in London for many years in the late 18th century. It measures 12 ft by 17 ft and celebrates and epic from the history of the MacKenzie clan and was commissioned by the clan chieftain in 1786. Its title, *Alexander III, King of Scotland, rescued from the fury of a stag by the intrepedity of Colin Fitzgerald*, sums it all up. It cost 800 gns at the time, an enormous sum, and was much admired in its day. It is being sold by the family and carries an estimate of around £500,000.

The 1933 penny is the rarest known. Only seven examples have survived and a year ago Spink sold one for £15,000. It is offering another on Wednesday but is only expecting bids around £3,000. This is because it is just a pattern, or the suggestion for a new design. Still, four examples are known.



# Arts Guide

Music/Monday. *Opera and Ballet*/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

November 14-20

## Music

### LONDON

**Royal Choral Society and London Philharmonic Orchestra** conducted by Laszlo Heltay with Gillah Yaron, soprano. Bruckner and Mendelssohn (Mon). Royal Festival Hall (928 3191).

**Philharmonia Orchestra** conducted by Mariss Yansons with Robert Cohen, cello. Prokofiev, Rachmaninov and Tchaikovsky. Royal Festival Hall (Tue).

**London Concert Choir and London Bach Orchestra** conducted by Donald Cashmore with soloists. Mozart. Queen Elizabeth Hall (Tue). (928 3191).

**John Lill**, piano. Beethoven sonatas. Barbican Hall (Tue). (638 8891).

**Royal Philharmonic Orchestra** conducted by Antal Dorati with Yehudi Menuhin and Leland Chen, violin. Händel/Beecham, Haydn, Chausson, Bach and Delius. Royal Festival Hall (Wed).

**BBC Symphony Orchestra** conducted by Gunter Wand. Beethoven and Bruckner. Royal Festival Hall (Thur).

**Academy of St Martin-in-the-Fields** directed by Iona Brown, violin with George Malcolm, harpsichord. Bach. Queen Elizabeth Hall (Thur).

**London Symphony Orchestra** conducted by Michael Tilson-Thomas with Pro Musica Chorus and soloists. Stravinsky and Beethoven. Barbican Hall (Thur).

### PARIS

**Peter Dvorsky**, tenor, Ludovit Marcinger, piano: Smetana, Dvorak, Schneider, Trnavsky (Mon). Théâtre de L'Athénée (47426727)

**Tatiana Nikolaeva**, piano: Bach, Mozart (Mon). Salle Gaveau (45632030)

**Colonne Choir and orchestra** conducted by Michel Corboz: Brahms Ein Deutsches Requiem (Mon). La Trinite Church (42771889)

**Ensemble Intercontemporain** conducted by Peter Eotvos: Peter Eotvos, Paul-Heinz Dittrich, Gyorgy Kurtag (Mon). Théâtre du Rond Point (42560080).

**Orchestre du XVIIIe Siecle** conducted by Frans Brueggen: Haydn, Mozart, Schubert (Mon). Salle Pleyel (45610830).

### ITALY

**Milan**: Teatro Alla Scala: Riccardo Muti conducting Beethoven's 4th symphony, Varese's Arcana and Respighi's Pini di Roma (Fri, Sat). On Monday, a recital by the bass, Paata Burchuladze, accompanied by Ludmila Ivanova (80.91.26).

**Rome**: Auditorium in Via Della Conciliazione: Luciano Berio conducting the contralto Mira Zakai and the violinist Aldo Bennic in Milhaud's La Morte d'un Tyran and Chants Populaires Hebraiques, and music by Brahms, Berio and Mahler (Sun, Mon, Tues). Also Melos Quartet of Stuttgart playing Beethoven's A minor Quartet and Schubert's Quartet in G major (Fri) (6541044).

### BRUSSELS

**Palais des Beaux Arts** (512 50 45): Moscow State Symphony Orchestra conducted by Gennadi Rozdestvensky with Viktoria Postnikova, piano – Tchaikovsky (Mon); Juilliard String Quartet – Mozart, Bartok, Beethoven (Tue).

### NETHERLANDS

**Rotterdam**, De Doelen. Dutch Royal Marine Band, with Elzbieta Szmytka: De Nardis, Reed, Kimberly, Mendelssohn (Wed, Thur). Recital Hall: Rotterdam Sinfonietta led by Kees Hülsmann, violin, with Ana Maria Vera, piano: Mozart (Mon). Touring Music Ensemble led by Christian Bor: Martinu, Dohnanyi, Mozart (Thur). (414 29 11).

**Scheveningen**, Circus Theatre, Paco Pena in concert (Thur). (55 88 00).

**Groningen**, Oosterpoort, Schönberg Ensemble: Copland, Rudhyar, Adams (Tue). (13 10 44).

**Amsterdam**, Concertgebouw. The Netherlands Philharmonic conducted by Ken-Ichiro Kobayashi, with Susan Kessler, contralto: Weber, Mahler, Ravel, Stravinsky (Tue). David Zinman conducting the Concertgebouw Orchestra, with Krystian Zimmerman, piano: Mendelssohn, Brahms (Wed, Thur). Recital Hall: John Shirley-Quirk, baritone, accompanied by Martin Isepp: Purcell, Vaughan Williams, Pfitzner, Liszt, Ravel (Tue). The Juilliard String Quartet: Bach (Wed, Thur). (71 83 45).

**Eindhoven**, Globe Theatre, Touring Music Ensemble led by Christian Bor: Martinu, Dohnanyi, Mozart (Tue). (11 11 22)

### NEW YORK

**New York Philharmonic** (Avery Fisher Hall): Zubin Mehta conducting, Martha Argerich piano, Paul Neubauer violin, Leonard Davis viola. Bach, Beethoven, Hindemith (Thur). Lincoln Center (874 2424)

**The New Bel Canto** (Federal Hall): David Garland, described as a combination of experimental rock and contemporary concert work performs as part of the lunchtime concert series for the Wall Street area. (Mon, 12.15) (Wall & Nassau Sts, 269 0320)

### WASHINGTON

**National Symphony** (Concert Hall): John Mauceri conducting. R. Strauss, Mahler, Stravinsky, Scriabin (Thur). Kennedy Center (254 3770)

### CHICAGO

**Chicago Symphony** (Orchestral Hall): Sir Charles Mackerras conducting, Michele Campanella piano, Men of the Chicago Symphony Chorus. Dvorak, Busoni (Thur). (435 8111)

### TOKYO

**Tokyo Metropolitan Symphony Orchestra**, conducted by André Watts with Kazuhiro Koizumi, piano. Stravinsky, Liszt, Respighi. Tokyo Bunka Kaikan. (Mon) (822 0727).

**Smetana String Quartet**. Janacek, Dvořák, Mendelssohn, Shinjuku Bunka Centre (Wed). (235 1661)

**Micrologus Ensemble for Medieval and Renaissance Music**. All French programme. Aoyama Theatre (Thurs) (237 5999)

**NHK Symphony Orchestra** conducted by Vaclav Neumann. Martinu, Tchaikowsky. NHK Hall (Wed, Thur) (465 1780).

**Suntory Hall, Akasaka**, Isaac Stern, Jaime Laredo, violin; Yo-Yo Ma, cello. Haydn, Vivaldi, Mozart. Orchestra, Toho Gakuen, conducted by Kazuyoshi Akiyama (Mon); Czechoslovak Broadcasting Symphony Orchestra (Tue); Debut Concert Series: Kent Nagano conducting the New Japan Philharmonic Orchestra with Naoko Ihara, alto and Ernst Haefliger, tenor. John Adams, Mahler. (Wed) (505 1010).

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday November 17 1986

# Mr Baker and the teachers

THE PROSPECT of further disruption in Britain's schools in the run-up to e general election is not one that is likely to appeal to Mrs Thatcher and her colleagues. Despite the persuasive powers of Mr Kenneth Baker, the Education Secretary, it would not be a simple matter to pin the entire blame for such disruption on greedy trade unions. Thus there will be strong pressure on the Government not to reject out of hand the egreement reached on Saturday between the local euthority employers and four of the six teachers' unions.

Yet the agreement is seriously flewed. At the very leest the Government must seek to improve the structure of the deal, with the aim of offering better incentives for good performance and higher salaries for teachers in subjects such as mathematics and physics who are in short supply. Given the size of the proposed pay increase and the example it is bound to set for other public sector unions, Mr Baker has to make certain that in return he gets the improvements in management and organisation that he has been seeking.

In several respects the weekend agreement was an advance on the traditional pattern. It now seems to be accepted, even by the National Union of Teachers, the largest union, that pay and conditions of service must be negotiated together. The duties of teachers, to be included in their contracts of employment, are spelled out in much greater detail. But in the sections of the agreement dealing with the linkage of pay to performance and with differentials between junior and senior teachers, the negotiators went only part of the way towards meeting Mr Baker's goals.

### *Union anger*

Mr Baker has already announced his intention to scrap the Burnham negotiating machinery for teachers' pay and to replece it with an interim advisory committee on pay and conditions which would report direct to the Education Secretary. He has also said he will take powers to impose a pay and conditions settlement by law. Both these proposals have aroused predictable anger among the unions and many of the local authority employers, who fear loss of power over the education system to a centralising government. Yet it is not et all clear that the present division of powers is satisfactory.

At one end the Government ought to have more influence over certain aspects of the system, most obviously the core curriculum. At the other end there are strong arguments for devolving much more authority to individual schools, so that the head and the governing body can manage their schoole in a way thet is more responsive to the needs of parents and employers and to local market conditions.

Under such e devolved system the local authorities would still have an important co-ordinating role but the schools themselves would have greeter control over their budgets and over the management and remuneration of their staff.

### *Pay structure*

How such a devolved system could be reconciled with e national framework for negotiating pay and conditions is very much an open question. Quite apart from the economic arguments against centralised wage bargaining which have been put strongly in recent weeks by Mr Nigel Lawson, the Chancellor, a rigid pay structure imposed from the centre makes the education system less able to provide what its customers want. No doubt some of the unions, led by the NUT, will fight passionately to defend their ability to set national pay scales, with the interests of the lowest-paid teachers given pride of place. This is an argument of principle which will be very difficult to resolve. But even if the Government decides on a qualified acceptance of Saturday's agreement, it must ensure that the peth to a more devolved system of pay determination which can respond to market demands and reward good individual performance, as part of a wider reform of education, is kept open.

# Iran returns to haunt the US

THERE ARE many dimensions to the US Administration's extraordinary dealings with Iran, but the constant, undeniable thread is the belief of this White House that ends justify means. President Reagan and the handful of those who have his ear inside 1600 Pennsylvania Avenue are probably about to find out that in domestic political terms this is not necessarily so.

This is becaose US politicians and the influential national medie heve long been et least as mucb consumed by how things are done as by the goals behind actions. Most Americans might indeed, on reflection, not object to the intent of opening evenues of communication with Tehran — after all, a lack of them contributed mightily to the 1979-80 hostage crisis — but the secret methods and plain arrogance involved in this operation will take a lot of stomaching.

Congress, in particular, is already up in arms, with criticisms raining on the White House's heads from conservative Republicans as well as Democrats objecting to the excessive use of executive power without reference to the legislature. After last week'e mid-term elections, the Democratic Party now has not only the votes but also the issue it previously lacked with which to belabour the President.

### *Military clique*

Presumably more privately, senior Cabinet members like Mr George Shultz, Secretary of State, and Mr Caspar Weinberger, Secretary of Defence, will be expressing their fury at being left out in the cold. Mr Shultz might not go as far as his distinguished predecessor, Mr Cyrus Vance, who resigned in protest over the ebortive rescue mission in Iran in the spring of 1980, but he is likely to demand e price for staying on board.

Not for the first time the focus of discontent is on the National Security Council, which appears to have planned the entire operation on its own. But, on this occasion, NSC freelancing, as practised by Dr Henry Kissinger and Mr Zbigniew Brzezinski, is not the issue. It has been replaced by very reasonable concern at the growth of influence inside the NSC, and thus next to the president, of a military clique.

It is perfectly appropriate for a president to have military men advising him, but their role inside the White House had traditionally been confined to logistics and staff preparatory work. But, in the case of Iran and, it is also now clear, in providing support to the Nicaraguan contras, this NSC group, already known locally as "Washington's cowboys," have been actively involved in policy-making and operations on an unprecedented scale.

There is something in the culture of the present White House which has made this possible. President Reagan himself loves action but is chronically disinterested in details; his Chief of Staff, Mr Donald Regan, himself an ex-Marine, is the epitome of gung-hoism; above all, this president, whom the armed forces, by training, serve without question, has come to be eeen as invulnerable. The scandals and leaks that plagued Presidents Nixon and Carter have been present in Mr Reagan'e Washington, but he has been politically unaffected by them.

### *Everyday drama*

Whether or not the Iranian affair proves to be the exception depends not only on Congress but also on the US media. Under President Reagan, journalism seemed to have lost the investigative spirit that so characterised the 1970s. There are many reasons for its relative passivity, not the least of which has been the White House's uncanny skill at ignoring all written criticisms and revelations and playing instead to the less demanding lens of television.

As before, and in defence, Mr Reagan is already trying to go over the beads of Washington to the US public, perhaps with some success. But here, too, he may be hoist on a petard of his own making. He has directed, with much skill, a domestic theatre that has transformed the plight of the hostages into an everyday drama, yet he has now been seen to have been manipulated by the same forces which undid President Carter. Mr Reagan was elected partly to prevent another such humiliation.

The oet result is that the aura of confidence which had surrounded President Reagan and which bad reassured America's allies as much as it had his domestic eudience now glows much less brightly. This can only mean e loss of certainty in the conduct of foreign policy, not necessarily of itself a bad thing, but uncomfortably reminiscent of the 1970s.

THE IVAN BOESKY SCANDAL

# Wall Street gets greedy

By William Hall and Roderick Oram in New York

"GREED IS all right by the way: I want you to know that. I think greed is healthy. You can be greedy and still feel good ebout yourself." So said Ivan Frederick Boesky, addressing a group of business students in September 1985.

*The self-appointed king of* Wall Street's arbitrageurs—the speculators who are greasing the wheels of the weve of mega-mergers sweeping America—Boesky has kept an unneturally low profile for the last five months. *Last Friday afternoon,* he bounded spectacularly back into the headlines.

Some forty minutes after the close of trading on the New York Stock Exchange, the US Securities and Exchange Commission (SEC), the watchdog agency for the US financial markets, announced that Mr Boesky, 49, had agreed to pay a $100m penalty for illegal insider trading and had been barred for life from THE US securities industry, where he has worked *around* the clock fo 20 years.

The magnitude of the news has stunned Wall Street. Mr Boesky is one of the biggest and best known speculators in the current merger and takeover wave in America. He is the SEC's biggest catch so far in its campaign to clean up insider trading on Wall Street. *His* prominence and connections and his pledge to co-operate fully with the authorities, guarantees that the reverberations from his downfall will shake the US financial community for months to come.

The Boesky affair is the most dramatic example to date of the buge fortunes which have been madc in the US takeover wave. It is bound to fuel the perception amongst small American investors that the US stock market is rigged in favour of the big players. The fall of Ivan Boesky is an unwelcome reminder of the *uglier, greedier* side of Wall Street.

Nevertheless, his success and rewards—rumoured to run to hundreds of millions of dollars—attracted admiration and envy. His magic touch guaranteed a loyal following which enabled Drexel Burnham Lambert, his investment bankers, to raise close to $1bn to commit to his war chest.

The seeds for Mr Boesky's downfall were sown in February 1985 when Mr Dennis Levine, a 32-year-old merger whiz kid who had just been hired for $1m a year to beef up Drexel Burnham Lambert's merger and acquisition business, began to cultivate his friendship. Mr Levine provided Mr Boesky with inside information he gained from a network of *contacts reaching* into some of the most prestigeous investment banking and law firms.

Dennis Levine was a rising star on Wall Street. He lived in a swank Park Avenue epartment. He had swept through two prominent New York investment banks before ending up as a managing director of Drexel Burnham Lambert — an event he celebrated by buying a $80,000 red Ferrari.

For six years, however, *Levine led a double life.* Publicly he helped corporate raiders like Sir James Goldsmith and Mr Ronald Perelman, in their respective takeovers of Crown Zellerbach and Revlon. Privately, he amassed e huge fortune from more than 50 insider trading deals, covering up his tracks by channelling his business through offshore banks.

Confronted in May this year by the huge case that the SEC had built against him, Levine pleaded guilty, paid beck $12.6m in illegal profits and co-operated in the SEC's widening inquiry in a desperate bid to escape being seot to jail. He has yet to be sentenced.

Until last Friday the wider investigation, already the *biggest insider trading case* in US history, had netted only the small fish, who had been supplying Levine with information from inside such prominent investment hanks as Goldman Sachs, Lazard Freres, and Shearson Lehman Brothers as well as Wechtell Lipton, the prominent takover law firm.

*Wall Street* had tried to distance itself from Levine by insisting that he and his young cohorts were merely aberrations from among the aggressive new breed of "*yuppies*," the young upwardly mobile professionals, for whom making vast sums of money was everything.

*However,* the revelations of Mr Boesky's intimate involvement has opened up a much larger and potentially more worrying chapter in the biggest scandal to hit Wall Street in recent years. "(It) makes the Dennis Levina case pale into *insignificance,*" says Mr Paul Fischer, e Washington lawyer who helped bring the case against Levine as an assistant director of the SEC's division of enforcement.

The SEC has been criticised in the past for only prosecuting the little guy, says Fischer, who notes that "this really goes to the heart of Wall Street". He believes that the SEC investigation will widen considerably further. "I see no reason why Mr Boesky would have only approached Dennis Levine if that is the way he wanted to conduct his business. I suspect he approached others."

"The way the Street works is, you scratch my back, I will scratch yours," says Mr Fischer, who believes that Mr Boesky has plenty of information about other Wall Street players. "Dennis Levine had a lot of contacts. Boesky had even more. This is a huge case."

*Ivan Boesky was plugged into* Wall Street. Hour after hour he stood *hyperactively in front* of a 160-line telephone console trawling Wall Street for information, the life blood of the arbitrageur. Several years ago *a long-time acquaintance* said "*his real secret is that he* employs everybody in Wall Street. That is where economy of scale comes in."

His phenomenal network of contacts was built up ovar 20 years in the securities business. His agreement to co-operate fully with the SEC, including relationships prior to the Dennis Levine affair, must be *deeply disturbing* to hundreds of the people who have had contact with him over the years.

His early life gave few signs that he *would* attain such power, wealth and prestige. Born into a Russian immigrant's family in Detroit, his first publicised money-making venture was to drive *an* ice cream truck through Detroit's parks et the illegal age of 13. His school career was indistinguished, although he excelled in wrestling. Through this "loner" sport he said he *discovered that* "natural ability was not necessarily as important as will, determination and desire to succeed."

Marrying the daughter of the owner of Los Angeles' exclusive Beverly Hills Hotel. He drifted through a number of low level jobs in accounting and law, before arriving on Wall Street in 1966 where he started work as an analyst at Wall Street stockbrokers L. F. Rothschild. Moving on quickly to another firm he began his career as an arbitrageur, *staking* huge *sums* of money on the outcome of takeovers.

However, great success eluded him until he established his own firm in 1975 just as e tidal wave of mergers hit Wall Street. He shook up the arbitrage establishment by edvertising for investors and hiring his own press agent. The *subsequent* decada has been e whirl of deals, huge profits and e blaze of self-publicity culminating in last year's publication of his book "*Merger Mania*" subtitled "Arbitrage: Wall Street's best kept money-making secret."

He said he had written his book for all those people who wished to "learn of my speciality, that they may be inspired to believe that confidence in one's self and determination can allow one to become whatever one may dream."

He acted out his dream in *extraordinary style,* Reputedly his day began around 4.30am after only a few hours of sleep in his mansion set on a 188-ecre estate north of New York. He was *oftan* accompanied by one of his pet dogs on his hour long chauffeur-driven ride to his Manhattan headquarters where he was normally at work by 6.00. Tall, razor-thin and given to *flashing an enormous* mirthless smile, Ivan Boesky appeared to thrive on copious quantities of coffee, minimal food, gut wrenching risks and *dazzling* profits.

He obviously delighted in money, even its physical form. *He once fantasised* in an interview about climbing to the top of e huge pile of silver dollars. "Imagine—wouldn't that be an aphrodisiac experience?"

*The arbitraging community,* which is said to have more than $15bn at its disposal, plays a legitimate role in most big takeover battles by helping provide essential liquidity. But the "arbs," as they are known, are often courted by the corporate raiders since they hold large blocks of stock which make it easier to *gain control* of e target.

For his part, Mr Boesky has never hidden his admiration for corporate raiders who, he argues, are performing a useful public service by reinvigorating corporate America, shaking up *sleepy managements* who inefficiently deploy their assets.

While it will be weeks before the ripples of the Boesky affair subside, some analysts are already predicting that it could have far reaching consequences. In particular, Mr Boesky's excesses are likely to highten the growing concern already being shown by Congress at the takeovers swamping corporate America.

Mr Boesky's $150m plus fortune was made largely from the spoils of these takeover battles. From being a bit player on the sidelines he came to be a *central character whose actions* could decide which company would live and which would be liquidated. While there may be plenty of good economic reasons for the current wave of corporate restructurings, the role of arbitrageurs like Mr Boesky, and the corporate raiders who have also made large fortunes from their work, is likely to come under increasingly close scrutiny.

Tomorrow's Congressional hearings on Sir James Goldsmith'e corporate raid on Goodyear, one of the pillars of the US industrial establishment, could be the arena where Congress starts to consider restrictive new legislation to curb the perceived abuses of the takeover phenomenon.

In his almost manic playing of the game, Ivan Boesky has violated the boundaries of America's rather hazy insider trading laws and his experience will be a *salutory lesson* for others in the arbitrage community — some of whom have long depended on improper relations with investment bankers and lawyers close to deals. In future, they are likely to face more stringent laws.

*Given* a new reticence from their sources, arbitrageurs will be more cautious in staking their money — which in turn should take some of the steam out of Wall Street's takeover boom.

Wall Street is still reeling from the revelations about Mr Boesky's blatant abuse of the system. But his close followers should not have been quite so surprised. At the height of his fame, when he was playing the market with close to $2bn, he said: "I cannot predict my demise but I suspect it will occur abruptly."

## King of the arbitrageurs

Mr Ivan Boesky has been involved in many of the largest US takeovers, and a host of smaller ones, over the past 20 years. So far, the SEC has published only its findings on those deals since carly 1985 in which Mr Boesky acted on information supplied by Mr Dennis Levine. These included:

● 1985. R. J. Reynolds merger with Nabisco valued at $4.9bn. SEC estimates Boesky's profit: $4m. Levine's information came from inside Shearson Lehman Brothers, Nabisco's adviser.

● 1985: InterNorth takeover of Houston Natural Gas worth $2.3bn. SEC estimates Boesky profit $4.1m. Levine's information came from inside Lazard Freres, HNG's adviser.

In addition, Boesky profited from information about takeovers or restructurings at Boise Cascade, General Foods, Union Carbide, American Natural Resources and other companies for total profit of $30m.

Takeovers in which Boesky was involved prior to knowing Levine included:

● 1984: Chevron's $13.2bn purchase of Gulf Oil, the largest in US history. Boesky believed to have made $65m.

● 1984: Texaco's $10.1bn acquisition of Getty Oil. Business Week estimates Boesky profit $100m.

● 1985: Burroughs buys Sperry for $4.8bn, Boesky has 16 per cent Sperry stake.

● 1985: Hanson Trust buys SCM for $900m, Boesky has 8.7 per cent of SCM.

Boesky is also believed to have lost tens of millions of dollars on such deals as:

● 1984: Phillips Petroleum fights off raiders Pickens and Icahn 1982; Gulf Oil takeover of Cities Service aborted on anti-trust grounds.

# Men and Matters

## From side to side

The way Robert Maxwell puts himself about, I suppose it is inevitable thet, sooner or later, just about everybody will find themselves either rooting for him or against him.

Merchant bank N. M. Rothschild currently finds itself doing both at once, supporting him in one takeover bid and challenging him in another.

Rothschild director John Gillum is advising Maxwell on how best to use his pivotal stake in the battle for control of McCorquodale, the printing group; while Peter Byrom is advising Turner & Newall on how best to beat the Maxwell-controlled Hollis Group in the bid for AE.

A question of spreading risk et Rothschild?

## Shah's tomorrow

The irrepressible Eddie Shah, chairman of Today, is planning to launch a new newspaper on Wednesday—but it will only be available to delegates to the annual Marketing Society conference in London.

To demonstrate what he believes will be the next newspaper revolution (before the present one has run full course), Shah gave his three children—Martyn, 13, Tamsyn, 8, and Alexander, 6—the weekend task of writing and laying out a four-page newspaper on screen.

Shah believes the day of the expensive electronic systems, which cost Today more than £1m, may soon be over and that desktop publishing using inexpensive personal computers may be the wavc of the future.

He equipped his children with an Apple Meckintosh and a software package costing £400, complete with 40 different fonts of type to produce the paper. "Alexander has been playing with computers since he was three and could type in instructions before he could spell his name," Shah tells me.

Shah is introducing such desktop systems in his Warrington newspepers. He is also experimenting with laser printers which, he says, may soon be good enough to replace expensive computer typesetting machines.

Clearly, despite the less than triumphant debut of Today, the industry has not heerd thc last of him. Though cynics, of course, will be waiting on Wednesday to see if the Shah children deliver on time.

## Mini-man

A happy 80th birthday today to Sir Alec Issigonis, creator of the Mini and just six months younger than Austin itself.

It was back in 1959 that Issigonis introduced the engineering concept — transverse-engined front-wheel drive—that car manufacturers the world over now follow in designing and packaging the modern car.

Issigonis, who had what might be termed a modest little success as well with the Morris Minor, officially retired in 1971, but he has been acting as an advanced engineering consultant ever since.

He receives regular visits from Austin Rover engineers at his home in Edgbaston, Birmingham. A workshop et Longbridge carries out work he requests, and he comments on future engineering projects within Austin Rover Engineering.

The Metro, ahead of the competition in 1980, owed some of that lead to work he bad done in 1968 on e hatchback model which never went into production.

## Brass section

Martin Owen regrets that he rarely finds time to play his bass in a Salvation Army brass band these days. But financial instruments could be another matter. Next month, he takes up the post of treasurer of County Group, the merchant bank within the National Westminster empire.

It is another swift move in the erratic but upwardly mobile career of the 40-year-old Welsh chartered accountant who made a small fortune by selling his insurance business when still in his early thirties.

Owen served God as well as Mammon by working full-time for the Salvation Army for a spell. Then, in 1982, he popped up as commercial relations officer of the Isle of Man, where he grappled with the need for a new financial supervision system on the island after the collapse of the Savings and Investments Bank.

Soon he was recruited by the Isle of Man Bank, a NatWest subsidiary, as financial controller. By 1985, he was back on the mainland at the parent bank's head office in e financial management post.

Owen, who has also worked for the Welsh Gas Board and Harlech TV, says be is constantly amazed by the directions taken by his career. But the Salvation Army is a consistent thread. "That's my balance in life," he says. "One minute you are in the heedy heights of international banking, the next moment your feet are firmly on the ground."

## Mr Cube

A French tradition is to generate much heat and smoke over major architectural projects—particularly if they are in central Paris.

Richard Rogers' Pompidou Centre, and Pei's pyramid, which is now taking shape in the courtyard of the Louvre, still arouse fierce passions.

The site of La Tête Défense crowns the view from the Tuileries up the Champs Elysees, and it has become an almost sacred duty of each incoming French President to veto the Tête Défense building project approved by his predecessor.

This time, however, it is the turn of the architect to go off in a huff.

Johann Otto von Spreckelsen is leaving his huge hollow cube, and is returning to his native Denmark.

Le Monde expressed the view of many Parisians when it commented "*Imagine Eiffel* abandoning his tower in the lurch."

The cube is already growing et the rate of two storeys a week *towards its eventual* height of 110 metres. Von Spreckelsen has quit to demonstrate his disappointment at the Chirac government's decision to abandon the high technology communications centre which was intended to be the cube'e main tenant.

Spreckelsen has been seen as an architectural idealist by his critics, and some of the other prospective tenants of the cube ere slightly relieved at his departure.

He originally wanted to impose the same grey carpet throughout the building, and he turned up his nose et fluorescent lighting.

But whether or not he returns to see the completion of his building, he will be remembered in Paris as the man who filled the Tête Défense.

## Hit the road

Job mobility, as tha Government acknowledged the other day, is low.

When times are hard, people stick at their work. But some conditions are too much to take.

A Jobcentre in Kestmoor, Newcastle-upon-Tyne, reports this from an application form: "Previous employment—lollipop lady. Reason for leaving—run over."

***Observer***

# Glasgow sells itself, smiles, and hopes

IS GLASGOW miles better? If Scotland's largest city has achieved nothing else in the past three years, it has produced a highly successful slogan that has spread from the city itself to the flanks of London buses and—suitably translated—on to the suitcases of Glaswegians going abroad. Last week the EEC endorsed Britain's choice of Glasgow as European City of Culture, 1990.

Glasgow is enthusiastically telling you that it is a much better place than you thought it was, and far better than it used to be. And, thanks to the intentional pun, that it is a city where people smile. But is this all just bragging by the exuberant Glaswegians?

It should be said at once that anyone coming to Glasgow for the first time with the usual English preconceptions about the city being a dark, grimy, and frightening place is swiftly disabused. One's first visual impressions of central Glasgow are of elegant Victorian buildings, many of them recently sandblasted, within sight of green hills. Glasgow has a pleasant feel about it; Glaswegians do indeed smile at strangers.

But the revival of once-great cities has to be built on more than smiles, and Glasgow had a tremendous amount to recover from. The city was lashed by the downside of virtually every change that convulsed post-war Britain. The shift of Britain's trade from the empire to the Continent of Europe left Glasgow appallingly in the wrong place, virtually killing off its port. The collapse of British shipbuilding—half the world's shipping was once built on the Clyde—destroyed much of its industrial base. Names like North British Loco and Beardmore in engineering, and Napier and Denny in shipbuilding are now no more than memories.

If that were not enough, drastic post-war attempts to deal with the notorius slums around the centre by shifting hundreds of thousands of people out to greenfield housing estates and new towns, and by erecting tower blocks, simply created new deprived areas. And, as Ewan Marwick, chief executive of the Chamber of Commerce, says: "Just when we thought we were getting a modern image by putting up new office blocks and running a motorway round the city centre, people started telling us how lucky we were to have the finest Victorian buildings in Britain."

Pinpointing the moment at which Glasgow's fortunes began to change is a matter for debate. Baillie Jimmy Mullen, a leading member of the dominant Labour group on the city council, points out that, in terms of employment, Glasgow is worse than ever: male unemployment in the Glasgow area was 22.4 per cent in September, only fractionally better than a year before.

For many people 1983—the year of the launch of the Glasgow's miles better campaign—was the moment of the real sea-change. "By then businessmen had realised that recession was a fact of life," says Ewan Marwick. "The ones who'd survived realised they must be pretty good. And then we looked at other cities like Liverpool, Manchester and Birmingham and discovered they were worse off than we were. We had survived. The big industrial employers now include the Weir group, the Howden group, Barr and Stroud, and, in shipbuilding theGovan and Jarrow yards."

Undoubtedly a crucial event in Glasgow's revival was the launch in 1976 of the Glasgow

By James Buxton, Scottish Correspondent

Eastern Area Renewal Project, universally known as Gear, to resuscitate a vast area to the east of the merchant city, as the commercial heart of Glasgow is known. The management of this, one of the first urban renewal schemes in Britain, was thrust on the Scottish Development Agency, an offshoot of central government.

The SDA has itself poured in nearly £78m out of the total project cost of £470m: by carrying out landscaping and land reclamation, and by energetic wheeling and dealing, it has attracted private sector builders into the east end. Companies like Barratt, Bovis and Ballway have spent nearly £90m on restoring and putting up housing there. The SDA has also helped industry to set up in the area, creating 3,500 jobs — though a roughly similar number of jobs in older industries have disappeared.

Pushed by the Conservative Government's financial stringency, Glasgow District Council, which has for decades had a large Labour majority, has handed over others of the city's worst housing areas to private companies to redevelop and build new homes. "Of course we'd rather the local authority did it, but we can't wait until we get a government that's prepared to pay for us to do it," says Baillie Mullen.

Last year an organisation called Glasgow Action was formed to revive the merchant city itself. David MacDonald, Glasgow Action's eager director, sees it as the logical successor to Gear.

Glasgow Action may have a more difficult task than Gear: it aims to give Glasgow an entirely new commercial *raison d'etre*. It is a consortium of businessmen and politicians, chaired by Sir Norman MacFarlane, director the MacFarlane group, probably Glasgow's most influential businessman, and it is convinced that the future of Glasgow lies in service industries.

Glasgow Action wants to attract the headquarters of both local and national companies and organisations to Glasgow and to develop the merchant city as a centre for the Scottish software industry.

Major corporate headquarters in Glasgow are few and far between. One of them, Britoil, which came in under political pressure, is laying off nearly one-third of its staff, thanks to the downturn in the North Sea. A new arrival of the kind that Glasgow Action likes is broker services. A joint venture between Barclays Bank and NMW which functions as a back office for smaller stockbrokers is renidly taking on more staff. But many more like it are needed.

An elaborate document prepared by Glasgow Action and based on the findings of a McKinsey survey presents a daunting picture: Glasgow, it points out, is centre of only a branch economy, where few major companies are centred. It has poor air links with the rest of Europe. Although it has some attractions as e place to live and work, these are "seldom perceived outside Glasgow." The "city centre is amorphous and lacks memorable features" for the tourist, "things to do and see are scattered throughout the city . . . routes between attractions are often tawdry and badly signposted," and so on.

Glasgow Action is a good example of the qualities that have helped the city pull itself up in the past few years: energy, determination and optimism, underpinned by the fact that businessmen and the council are prepared to co-operate. Few business leaders vote Labour, but they appreciate both the political stability and the pragmatism of the great Labour establishments in the District Council and the Strathclyde Regional Council. "Labour is so well established here that it attracts administrators, not chargers," says Ewan Marwick. One of the District Council's few brazenly ideological acts—the renaming of St George's Place where the South African consulate is housed as Nelson Mandela Place is seen as a small price to pay to keep extremists under control.

The co-operation that worked in Gear also created the Glasgow Exhibition and Conference Centre—a four-way £36m joint venture between the SDA, the District and Regional Councils, and private investors. It also won for Glasgow the right to hold in 1988 Britain's next garden festival—a kind of horticultural Disneyland — on a site reclaimed from dockland on the south bank of the Clyde. The ubiquitous SDA is running it and putting in £15m—which is also the anticipated deficit on the £35m project.

Fast-footed teamwork last month gained for Glasgow the nomination by Mr Richard Luce, the Arts Minister, as European City of Culture in 1990 in succession to Florence, Amsterdam, Berlin and Paris. Glasgow's presentation, assembled in e matter of days, capitalised on the past years of building up the Glasgow-based Scottish National Opera, Ballet and Orchestra, and developing e much more lively threate than anything seen in Edinburgh outside the festival.

What seems to have favoured Glasgow over other contenders such as Cambridge, Bath and the traditional rival Edinburgh (whose nose was severely put out of joint) was Glasgow's determination and enthusiasm as well as its ability to demonstrate that it had the facilities to put on a year of artistic events.

Paradoxically, the co-operation between council and business seems to work because public spending curbs keep the council on such e tight financial leash.

But are determination and enthusiasm enough?

Someone closely involved in Glasgow's revival, says: "We've got to add some substance to the show. The Garden Festival and the City of Culture are splendid ways to focus people's energies, but if by the time they're over we haven't attracted some big head offices . . ."

He might have added that Glasgow is the centre of a region — Strathclyde — which shares with southern Italy the distinction of being the most deprived in Europe. Out beyond the Gear area are the post-war estates like Easterhouse and Castlemilk, miles from any jobs, where there are still miserably few shops and pubs, and where many houses reek of condensation. Glasgow's housing department estimates that the city's housing stock needs £3bn spending on it.

The population is still declining as births outnumber deaths. It came down by 7,000 to 741,000 between 1983 and 1984. Peter Runciman, president of the Chamber of Commerce, says that three-quarters of the children in Glasgow leave school without a Scottish O level. "Most of our member firms require at least three O levels before they will offer them a job."

It seems e rather slender foundation on which to build a new economy based mainly on service. But, says Ewan Marwick, "in Glasgow we're all professional optimists. It's got us this far."

Lord Provost Dr Michael Kelly with Glasgow's newest symbol

UK housing finance

# The truth about mortgage relief

By Giles Keating

DO NOT alter basic rate mortgage relief! The electorate understands the economics of this better than the economists Phasing-out tax relief on mortgage interest expenses would cause *immediate* downward pressure on house prices, because of rational expectations. There would be an absolute fall in the price of cheaper houses, so areas outside the south-east would be worst affected. Many individuals in those areas would be left with a house worth less than their mortgage.

Immediate abolition of the additional relief given to those who pay income tax at the higher rates, however, is an excellent idea—provided it is replaced by an offsetting rise in the higher-rate tax thresholds. This switch helps to reduce regional house price imbalances; raises no-one's tax bill; leaves the PSBR virtually unchanged; and improved incentives by lowering marginal tax rates for a few people (high earners with low mortgages). It is a rare example of a Pareto-efficient improvement, thet is it makes some people better off (by reducing regional imbalances) while making no one worse off.

Contrast this to the abolition of higher-rate relief without an accompanying rise in higher rate tax thresholds. That would worsen incentives by raising marginal tax rates; for some middle management marginal rates would rise by 16 per cent. That would be tax reform in reverse.

Phasing-out all mortgage tax relief was advocated by John Muellbauer in the Financial Times of October 23. His aim is to cut house price inflation and to rduce regional disparities in house prices, which reinforce labour market rigidities and cause high pay settlements.

Muellbauer's proposal is likely to have the opposite of the intended effect. Once the phasing-out is announced, people will immediately reduce the amount they are prepared to borrow because they face higher outgoings in future years. So most of the downward pressure on house prices will appear in one go straight away, rather than being spread over several years.

Even at the current rate of house price inflation, that pressure would probably be enough to cause an absolute fall in the price of houses and flats in the crucial price range of up to about £45,000.

To illustrate this, consider the cost of servicing e £30,000 mortgage, repaid after a typical seven years. Phasing-out relief over three years raises the present value of the servicing costs by almost 30 per cent, from an annual average of about £2,660 to around £3,400 (even discounting future years' payments at a generous 15 per cent). Although the corresponding reduction in demand for houses would be smaller, it seems likely that there would be a substantial price fall for cheaper houses.

Such a fall would leave many individuals who had bought property recently with an asset worth less than their borrowings. As in parts of Holland and Germany, people would be unable to move. The rate of defaults would rise.

The worst-affected areas would be those where average prices were closest to the £30,000 tax relief limit, which means the more depressed parts of the country. This change would cause macro-economic disruption and its micro-economic effect on labour mobility would be the opposite of the intended effect.

By contrast, there would be considerable benefits from abolition of higher-rate mortgage interest relief, provided that the revenue is used to finance a £4,000 increase in all the higher-rate thresholds. Higher-rate relief is enjoyed by people whose properties cost far more than the £30,000 mortgage relief limit, so the proportionate effect on prices would be much smaller and would appear as a check in the present (excessive) growth rate rather than an absolute fall. Also, this effect would be concentrated in the South-East, thus reducing regional house price imbalances.

Initially the effects would be small, because many higher-rate taxpayers already have a mortgage of over £30,000, so their choice of how much to borrow will be unaffected, and this is why the switch is virtually revenue-neutral. Over time, the effect would grow as people with small mortgages whose income rose to bring them into higher-rate tax found that it was less attractive to increase their mortgage.

*The author is Chief UK Economist with Credit Suisse First Boston Ltd.*

# Letters to the Editor

## Markets for sugar

*From the Chairman, Agricola (UK)*

Sir,—In writing to you, it is not my purpose to make out the case why it would be against the UK public interest if the sole UK cane sugar refiner were to aquire the sole UK beet sugar processor, with e combined market share of 94 per cent. I am concerned only to put the record straight with regard to Ferruzzi's alleged ability to manipulate the European sugar market to the disadvantage of Tate & Lyle in the United Kingdom.

The proportion of local sales of sugar in the EEC accounted for by Ferruzzi group companies is of the order of 12 per cent. About a third of the group's production of sugar is in Italy and the whole of that Italian production is sold in Italy, a country which is generally a net importer of sugar. In consequence, Ferruzzi's Italian sugar production and sales are irrelevant to the position in the UK. Ferruzzi's French subsidiary has a share of about 25 per cent of the French sugar market. It has long-standing trading links with French-speaking third countries and it has traditionally sold very largely to them the part of its sugar production that it does not sell in metropolitan France. The amount of Continental sugar readily available, from sources outside the Ferruzzi group, for export to the UK substantially exceeds the whole of the production of Ferruzzi's French subsidiary. Ferruzzi is not therefore in any position to withhold supplies of Continental sugar from the UK as your leader (November 7) suggests.

If Ferruzzi acquires British Sugar, the Ferruzzi group will still account for less than 25 per cent of both total production and total sales within the EEC, even including Italy. Neither at the level of the EEC nor at that of any member state, including the UK, is such a proportion thought to be even capable of conferring market power that is liable to be abused.

To my knowledge, no-one has ever suggested a plausible scenario in which British Sugar, as part of the Ferruzzi group, would swamp the UK with Continental sugar made by whomsoever (again see your leader of November 7). On the contrary, there is a host of commercial, economic and legal considerations, each of which rules out pursuit of such a course.

Tate & Lyle may possibly have a complaint about the level of cane raws set by the Community: the European Commission is currently investigating precisely this question. If the complaint were found to be justified, the solution would be to raise the Community price of cane raws, to the advantage of Tate & Lyle and the members of the Sugar Association of the Caribbean whose chairman wrote to you (November 13). But whatever the strength or weakness of the complaint the answer is not to exclude from the UK a vigorous company from another EEC country on the basis that the only way to protect cane sugar refining in the UK is through the creation of a UK sugar monopoly.

The Ferruzzi group would have been very content to leave these matters for the consideration of the Monopolies and Mergers Commission which will fairly shortly be producing e fully reasoned report. But in view of the campaign against Ferruzzi that is currently being mounted in certain quarters, it seemed to me, as chairman of Ferruzzi's UK subsidiary, necessary at least to correct some of the misunderstandings that appear to exist.

(Sir) Richard Butler,
*Penny Pot,*
*Halstead, Essex.*

## Allotting shares

*From Mr R. Kendrick*

Sir, — In the light of the Government policy of actively encouraging individuals to invest in the ordinary shares of British public companies, I felt I should bring to your attention a current example of the discrimination exercised by the City against private shareholders when allotting shares in new issues.

Last week Kleinwort Benson offered for sale 23.6m ordinary shares in London and Metropolitan. The issue was 30 times over-subscribed which, after preferential applications, would give applicants an "equitable right" to an allotment of about 3 per cent.

In fact, applicants for between 2,500 and 6,000 shares have an expectation of receiving between 0.33 per cent and 0.8 per cent of the number for which they applied, while institutions applying for between 800,000 and 1,900,000 shares were "lucky" enough to receive allotments varying between 5.26 per cent and 10 per cent. At its worst, this represents a bias in the basis of allotment in favour of institutions of up to 30 times.

I have raised the matter with Kleinwort Benson but have received no substantive explanation for its decision.

Given that the Government's present policy is one of actively encouraging ordinary share investment by individuals, I believe that two issues need to be addressed by the Government as a repetition of such a policy in future new issues can only serve to discourage private investors: the elimination of such discrimination by City institutions in favour of other City institutions and against the private shareholder; and further consideration of whether the City is able to regulate itself in a proper and equitable manner.

R. J. Kendrick,
*5 Romsey Drive,*
*Farnham Common,*
*Bucks.*

## Management distracted

*From Mr J. Timpson.*

Sir,—Not all McCorquodale shareholders agree with Lex's comments (November 12) on Robert Maxwell. My wife bought e shareholding about three years ago at a time when the management was taking important steps to increase efficiency through acquisition and various measures to reduce costs. If left to manage its own business, the company is in e phase of accelerating its record of profit growth and my wife—like most other shareholders, I imagine—would like to see dividends and earnings per share grow on a sound and steady basis. She is not in the least grateful to Robert Maxwell for his intervention, as Lex assumes. Although a rise in share price is very welcome, it is suspect for anyone who does not invest on a short-term quick-buck basis.

Not only is the management distracted from its proper function of running the business by having to do battle and defend the interests of shareholders against the forays, but longer-term damage may be done to the company through having to realise assets in order to justify a prematurely high share price. In fact, shareholders seem likely, under the proposals which are emerging, to be denied the right to be investors any longer.

It seems tragic that e well established publishing and security printing business, combining e highly reputable past record and a prospect of new growth should be treated by 'City'-based operators in this way, especially at a time when your columns—also November 12—were reporting the discussions at the CBI conference. Those speakers who deplored the short-term 'investment' attitude of the financial community in London can be grateful to Robert Maxwell for at least substantiating their argument; but not so McCorquodale shareholders.

J. A. L. Timpson,
*Preedys Cottage,*
*Castle Coombe, Wilts.*

## Agricultural solvency

*From the Managing Director, Lands Improvement Group.*

Sir,—I like and admire John Cherrington and also have e high view of Lloyds Bank's economic section. There is, however, a basic error in John Cherrington's otherwise excellent article (November 11) based on a Lloyds Bank analysis.

In assessing the balance sheet, and hence the credit worthiness, of British agriculture both Mr Cherrington and Lloyds assume all agricultural land and buildings are assets of the farming industry. They are not.

Over one third of agricultural land is still tenanted and by definition owned outside the industry and a rent has to be paid by the industry for the use of these assets. Deducting the appropriate, say, £10bn from the industry's asset reduces net worth from £48.4bn to, say, £38.4bn.

Next, (a small point) no banker should really allow a £3bn value for milk quotas. Such a transient asset, created at the whim of a multinational bureaucracy could disappear with equal ease. Overall, therefore, a more accurate picture of the industry's balance sheet would be: total assets £44bn, borrowings £8.5bn, own capital £35.5bn, i.e., £1 borrowed for every £4.2 owned by the farming industry. This is epparently still a healthy ratio but as Mr Cherrington points oot the money in agriculture at current values is probably earnings little more than 2.5 per cent-3 per cent. Therefore the £36bn, owned by the farming industry, earning et this rate will produce £108m. The £8.5bn borrowed must be costing say 13 per cent which is virtually the same figure, £110m. Thus at least the total earnings on the agricultural industry's equity are taken up by interest payments on the borrowed element of agricultural capital. This has to be an unstable and unsatisfactory position and no doubt both Lloyds Bank and Mr Cherrington may care to reflect on a position which is far more serious than that suggested in the article. Overall the farmers are working for the banks with nothing left for themselves except wages.

Peter A. Clery,
*1 Buckingham Place, SW1.*

FINANCIAL TIMES

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## Roderick Oram on Wall Steet

# Razor-edge life of the arbitrageurs

"OH GOD – I feel like a dog let loose on the freeway in the rush hour," despaired one Wall Street arbitrageur on Friday morning. The bad start to his day was nothing compared to the damaging way it was to end for the whole pack of high rollers who stake vast sums in – among other things – the takeover game.

He had been hit by the third extraordinary exploit in eight days by Mr Ronald Perelman. Transworld, known for its Hilton Hotels, announced it was liquidating itself to buy off the man who is currently the most aggressive corporate raider in America.

In earlier moves, Mr Perelman had accepted an offer from Salomon Brothers for his stake in the CPC food group. To many disgruntled arbitrageurs who lost money as CPC's share price plummeted the ploy looked like thinly disguised greenmail. Pocketing his $40m profit, Mr Perelman launched a $4.9bn bid for Gillette.

Friday seemed like just one more day in the recent months of fevered, speculative trading in takeovers – actual and rumoured. Shares in Lockheed, the aircraft maker, for example, jumped $8 to make a 20 per cent rise in two days purely on rumour – or insider trading.

As janitors swept the debris from the trading floor after the close, the Securities and Exchange Commission lobbed a stun grenade into the financial community. Mr Ivan Boesky, a self-made legend among arbitrageurs, had struck the biggest deal of his life. He agreed to hand back $50m in illegal profits from insider trading, pay a $50m penalty, be barred for life from the securities industry and co-operate fully in further investigations by the watchdog agency.

Wall Street had known for months that he was under scrutiny but gossip had not prepared it for the scale of his abuse or his pledge to talk.

The repercussions will rock Wall Street. For 20 years, "Piggy", as he was called for his monstrous share stakes, worked his contacts in countless investment banks, law firms, institutions and suppliers of ancilliary services in the takeover industry. Reputedly, he even paid airport employees to clock the comings and goings of corporate jets in his tireless pursuit of information which gave him a phenomenally profitable edge in arbitraging. He once estimated that 80 per cent of stocks were moved by arbitrageurs at one time or another.

Not that there is anything wrong with the business in its proper form. "Risk arbitrage is not illegal," Mr John Shad, chairman of the SEC, said on Friday.

"We may not come to work with a proxy from Mother Theresa, but we do perform a function," said one arbitrageur. The collective action of "arbs" trying to make money for themselves on their own research and judgment bids up share prices. Investors profit by selling to arbitrageurs who in turn take on the risk in hope of greater reward. Moreover, the stock liquidity they generate greatly facilitates raiders who believe they have a mission to shake up sleepy managements.

"But," Mr Shad admonished, "it is illegal to trade on material, non-public information."

Some people on Wall Street swept aside that flimsy, ill-defined barrier as the takeover mania rocketed, sucking into the arbitrage game an estimated $15bn and hundreds of players. Competition escalated, margins thinned and tactics for some turned shadier.

Briefly this summer some of the worst excesses of "Garbitrage", as a disdainful arbitrageur called the rough game, dried up in the after shock of the Levine affair. A managing director of Drexel Burnham Lambert when arrested for insider trading to the profit of $12.6m, Mr Dennis Levine in turn blew the whistle on Mr Boesky, the king of arbitrageurs.

Meanwhile at the self-proclaimed virtuous end of the market, many large investment houses deploy small, elite arbitrage units to exploit stock market opportunities in other people's takeovers.

Their arbitrageurs avoid the taint of insider trading by isolating themselves from the rest of the firm, sticking largely to analysis of public documents and resisting the temptation to call lawyers, bankers and others involved directly in the deals.

"We'd be happy to get more information but we are bound by our rules," said a big firm arbitrageur. "Clearly others have an edge on us."

None the less, playing it straight can still pay off magnificently for these firms which in turn handsomely reward the individuals who can take the tension.

As one Salomon Brothers arbitrageur confessed two years ago: "Most of us have some form of personality defect. You have to, to want to gamble with this much money."

# US proposes barter for Israeli submarine deal

BY ANDREW WHITLEY IN JERUSALEM

BARTER arrangements have been proposed by the US as the best – possibly the only – way in which Israel can finance the construction abroad of three long-coveted, diesel-powered submarines, costing a total of $450m.

The submarines, almost certainly to be built in West Germany, form an integral part of a 10-year $1.25bn naval re-equipment programme being co-ordinated for Israel by the US Government.

First reactions from Israeli officials to the suggestion that the country arrange offset sales of goods and services in payment for the German work were unenthusiastic.

Last week, Mr Dov Zakheim, a top US Defence Department official, told his Israeli counterparts in Tel Aviv that there was no question of the US directly financing the submarines or of Israel using US military funds in third countries, as the Shamir Government had wanted.

To overcome the inevitable political problems over West German involvement in selling arms to the Middle East, the Pentagon is proposing that the entire programme, including four corvette-class missile boats – be brought under the umbrella of a single US prime contractor.

The US shipyard would co-ordinate the integration of sub-systems acquired in the US and Israel for the submarines and surface vessels, and would act as prime contractor for the construction work carried out in Western Europe.

Stressing the package nature of the Pentagon's proposals, Mr Zakheim said: "We believe that without a surface ship programme you will not have an American shipyard involved. Without an American shipyard involved, you will not have any European interest in selling this country submarines."

The Israeli navy wants only the first submarine to be constructed entirely in Germany. While the hulls for the second and third could be built there, it says final assembly should be at Haifa in Israel. But the feasibility of this scheme depends on modernisation and re-equipment work needed by the state-run shipyard.

To help ease the inevitable cash flow burden on the Israeli defence budget over the next few years, the Pentagon is continuing to urge Israel to make a choice between its controversial Lavi combat aircraft project and the navy's needs. The US is clearly in favour of the latter.

In addition, the Pentagon report suggests that for cash flow purposes it would make sense to delay the start of construction of the submarines for two years. The powerful missile boats, codenamed Saar-V, could on the other hand be started almost immediately.

# UK minister sees insider case as success for self-regulation

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

THE ACTION taken by Morgan Grenfell, a leading UK merchant bank, in enforcing the resignation of Mr Geoffrey Collier as its securities chief demonstrated that self-regulation was working well and effectively, Mr Michael Howard, the British minister responsible for City matters, said yesterday.

Mr Collier resigned last Monday after admitting dealing on the basis of confidential, inside information.

Mr Howard said that the action which Morgan Grenfell took "demonstrates that self-regulation is working and is working well. If a fortnight ago anyone suggested that a major house would dismiss one of its very senior employees for a breach of its internal rules that might have been greeted with a degree of scepticism."

Mr Howard, under-secretary for corporate and consumer affairs, also argued that it would be less easy to get away with the offence of insider dealing in the future than in the past.

His comments follow the Government's announcement on Friday evening that it was bringing into operation immediately provisions of the new Financial Services Act to facilitate investigations into alleged insider dealing. On Saturday two inspectors were appointed to examine allegations relating to Mr Collier and any possible associates of his.

Mr Howard said in a radio interview that the inspectors would start immediately. He said the provisions of the Act had been brought into operation sooner than previously planned because it became "clear that there were circumstances merited investigation."

Mr Howard admitted that in the past it had been difficult to prove and get the evidence but this should be eased by the tough new powers.

Moreover, he said, insider trading would become more difficult partly because much more information was becoming available about dealing in shares which made it much easier to identify price movement in shares which might alert suspicion.

Solicitors for Mr Collier issued a statement over the weekend emphasising that he had "at no time communicated to the Stock Exchange, nor specifically to its professional standards panel, any statement or allegation about insider dealing by anyone. He has no such knowledge or intention."

The solicitors said they had told the Department of Trade and Industry that Mr Collier was willing to assist in its inquiries into his breach of Morgan Grenfell's rules.

● David Lascelles adds: The Department of Trade and Industry has appointed Mr Peter Scott, QC, and Mr Graham Kennedy of the stockbroking firm James Capel to investigate allegations of insider trading in the Geoffrey Collier case.

They will report back to Mr Paul Channon, the Trade Secretary, who will then decide whether to mount a prosecution. Insider trading is a criminal offence punishable by fine or imprisonment.

# London financial markets face major administrative changes

BY DAVID LASCELLES, BANKING CORRESPONDENT

MAJOR CHANGES in the administration of the UK wholesale financial markets are being introduced by the Bank of England.

The changes are intended to bring all the wholesale markets – the money markets, gilts and foreign exchange – under a single supervisory umbrella, and remove a regulatory obstacle to the ownership of money brokers and foreign exchange brokers.

They also clarify the Bank's supervisory role in the wake of Big Bang, which requires all financial markets to have a clear regulatory structure. The Bank will soon issue a consultative document on the administration of the wholesale markets.

As a first step, the Bank has informed the British Bankers Association that it is withdrawing the so-called O'Brien Letter rule which banned a principal dealer in the foreign exchange and currency deposit markets from owning more than 10 per cent of a broker in those markets. The rule, named after a former Bank governor, was intended to prevent potential conflicts of interest.

Instead, the Bank says that brokers may not do business with any market principal who owns more than 10 per cent of them. This new rule is designed to have the same effect as the O'Brien Letter.

Internally, the Bank has also switched responsibility for the day-to-day supervision of the foreign exchange markets to Mr Eddie George, the executive director in charge of home finance. Mr George is already in charge of the money and gilt edged markets divisions; the addition of foreign exchange will bring all the wholesale markets into a single division.

Mr Anthony Loehnis, executive director, overseas, who was previously in charge of foreign exchange will remain responsible for strategy and international negotiations.

Supervision of the wholesale markets will be carried out by a new division headed by Mr John Townend. Mr Tony Coleby, the head of the money markets division, will become chief monetary adviser to the Governor, and will be replaced by Mr Bill Allen.

The Bank says these changes are a logical response to the changes in London, where wholesale dealing in different markets has become increasingly interconnected and where financial institutions need to be more efficiently supervised.

# Boesky case may curb takeovers

Continued from Page 1

invitation to anyone who thinks that deregulation has gone too far. It would be a shame and perhaps harmful, but it would be understandable."

Many observers believe that the SEC's investigation into insider trading will not end with the departure of Mr Boesky from the scene. It is expected that the SEC will be taking a close look at the investors who committed up to $1bn to Mr Boesky earlier this year as well as the various corporate raiders who might have had dealings with Mr Boesky in recent years. Like Mr Levine, Mr Boesky has agreed to co-operate fully in the hope that he can avoid a jail sentence.

A sub-committee of the House of Representatives Judiciary Committee is scheduled to hold an emergency hearing tomorrow on Sir James Goldsmith's bid for control of Goodyear, the world's biggest tyre manufacturer. Mr Tom Sawyer, the Mayor of Akron – Goodyear's home town – has been seeking support from other politicians across the US to stop corporate raiders like Sir James from taking over companies like Goodyear.

Previous efforts in Congress to curb the perceived abuses of the wave of US corporate takeovers have failed.

## World Weather

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Weather at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# Iran link played down

Continued from Page 1

firm reports that the agency represented Middle Eastern arms dealer Mr Adnan Khashoggi.

The quotation is valid until December 18.

Mr Michael Kennedy, Land Rover's communications director, rejected media suggestions that the negotiations had been taking place in secret. He also said Land Rover had followed its normal practice, and requested from the agency detailed information about to what use the vehicles would be put on arrival in Iran. In the light of that information, it would proceed with export licence applications presuming it were to be offered the contract.

# UK sets up team to secure Channel tunnel jobs

By Andrew Taylor in London

A SMALL, permanent team of civil servants has been established by the UK Department of Trade and Industry to try to ensure that British companies win as much work as possible on the Anglo-French Channel tunnel.

It is thought to be the first time that the department has established such a team for a single project. Another small permanent team has also been established to aid British companies and keep them informed of export opportunities in the off-shore oil and gas sector.

It is thought that many small and medium-sized companies, which lack the sophisticated monitoring and marketing expertise of larger contractors, are not always aware of contract opportunities.

In the case of the Channel tunnel, at least 30 per cent of the construction costs of £2.6bn ($3.7bn) at 1985 prices must be placed with third parties, other than the 10 major British and French contractors which are to build the tunnel.

The department says this presents an enormous opportunity for various sectors of UK industry to benefit from the many subcontracts the project will generate. EEC legislation requires that any sub-contract worth more than Ecu 1m ($1.03m) must be put out to international tender and advertised in the Official Journal of the European Community.

Two senior civil servants are employed full time in the department's Channel Fixed Link section, with one person designated in each of the department's 10 regional offices to handle inquiries and provide information on tunnel contracts.

As a first step, the section, which is working closely with Transmanche Link, the construction arm of the Channel tunnel consortium, has been attempting to get companies to register with the Transmanche computers.

Details of individual contract opportunities as they arise on the British and the French sides will be provided by the department either directly through its regional offices or through contact points at more than 100 chambers of commerce and trade associations.

"Our objective is to ensure that UK industry has background information about the project, is aware of the opportunities and procurement procedures and therefore ready to compete for contracts against international competition," says the department.

Requests for tenders from Transmanche so far total 39 in the UK and 18 to France. Contracts already awarded by the British contractors include a £8m order for two tunnel boring machines placed with Howden (Grosvenor Tunnelling) and a £1.2m order for rack and pinion adhesion locomotives placed with Hunslett of Leeds, in northern England.

Tenders for a £13m cement order are also being considered by the unit established on the Isle of Grain to build the tunnel's precast concrete linings. A £10m contract for aggregate has also gone out to tender.

Orders are being placed now so that contractors can start work on constructing the tunnel as soon as the Channel Tunnel Bill is passed and financing arrangements concluded by autumn next year.

# Aide may not testify on arms

Continued from Page 1

mation and Congress only needed to be informed on a "timely" basis.

The Washington Post reported this weekend that President Reagan had instructed Mr William Casey, head of the CIA, not to inform Congress of the operation. The President also gave only scant information to top officials, including Secretary of State George Shultz.

Mr Shultz issued an unusual statement through his spokesman last Friday, saying he "was not directly involved, although he was sporadically informed of some details."

Mr Casey is expected to give evidence in Congress about the affair, but it is not clear whether he will be on oath.

Mr Robert Byrd, Senate Democratic leader, described the affair as "a major blunder which has undermined the credibility of the Administration and the nation."

Mr Patrick Leahy, vice chairman of the Senate intelligence committee described the arms shipments as a "fiasco" which had damaged US anti-terrorism policy immeasurably.

Mr Robert Dole, Senate Republican leader, said: "I am trying to think of a way to support the President, but I'm finding it difficult."

## THE LEX COLUMN

# Ivan the terrible

Perhaps there is such a thing as genuine risk arbitrage – a different operation from insider dealing, and more respectable – but the fall of Ivan Boesky makes it seem a lot less likely. The connection between Mr Boesky's recent activities and those of Mr Dennis Levine makes it clear that common sense was alway near the truth in suspecting that there was more arbitrage than risk in some of the more successful games on Wall Street. If you know the next move now, while outsiders in the market are still guessing, that provides an opening to buy cheap and sell dear: there ain't no risk about it.

The fear that Mr Boesky's confession may herald a general retreat in Wall Street share prices – and London prices for that matter – is not to be dismissed lightly. In itself, the liquidation of the Boesky arbitrage book would probably make only minor ripples – and the SEC has allowed the process to stretch out into 1988. But there is also reason to wonder if some of Boesky's colleagues and imitators may not also decide to undo some of their more inspired transactions; there could be an uneasy few days in the share prices of companies that would otherwise have been among the next group of takeover plays. The fear of tidal selling by nervous insiders can be taken too far, however. Any practitioner who is seriously thinking how not to get caught will be just as security conscious in the present emergency as in the normal course of profit-taking.

On a deeper plane, a sudden diminution in risk arbitrage investment may have a noticeable impact on the market's perception of share values. For a couple of years past, Wall Street has been living on borrowed time, in the sense that only the retirement of equity through leveraged takeovers and stock buyins has made it possible for the market to show reasonable earnings growth.

Remove the takeover activity, and the market would surely have been as flat as underlying corporate profits.

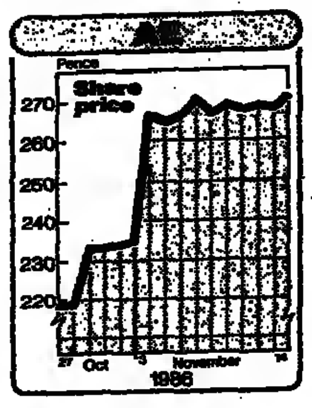
Remove the arbitrage deals which have as their underlying purpose the delivery of control to aggressive bidders, and you may stall the machinery which has been so successful at maximising shareholder returns.

How badly the demise of Mr Boesky cramps the market will depend, above all, on how many other large operators prove to have employed similar methods. Foster Winans was a minnow who swam, and sank, in the company of some fairly insignificant pond life. Dennis Levine was bigger game, but in relation to Mr Boesky he figures as little more than a pilot fish. The trawl of insider connections up and down Wall Street seems likely to bring in some pretty fair sharks; it will be next to a miracle if the riskless arbitrageurs who stand to be indicted by Mr Boesky do not include some equally prominent names.

Whether anything remotely similar turns out to be true of Mr Geoffrey Collier's cooperation with the UK authorities is perhaps less certain. The fact that Mr Collier was so openly dealing through only a single off-shore company – and only making £15,000 at that – suggests that London's cause celebre may not be focussing attention on the right place. The invidious comparison with an operator who has agreed to hand back $100m might indeed be taken to indicate that London has little to worry about if this is the best it has to show.

Compliance manuals as thick as the average dictionary may be something new in the London market, to go with the Chinese walls that protect the greedy from opportunities which previously did not exist. But the thing which has not changed is the ability of determined insiders to extract values from other people's shares.

It is done by taking in each other's dirty linen, ensuring that no insider need ever appear party to a dubious transaction. Catching those too maladroit to take the basic precautions is worth doing – if it frightens the others – but it will not stop insider trading.




### Split-level trusts

Once upon a time people thought that investment trust shares could be sold on discounts of less than 10 per cent. We now know that not to be true. However, that primitive misunderstanding of natural forces was built into the mechanism for the rearrangement – in 1987 – of the split-level Throgmorton Secured Growth Trust, an event set for the distant future of 1988. The rash promise of 20 years ago, to buy in the capital loan stock at a 10 per cent discount to net assets, could only work if the trust were able to sell again in the market at a profit. When it became apparent that any such stock tendered would have to be sold at a whacking loss, rapidly ruining the trust and so harming both sets of shareholders, a change to the restructuring plans became imperative.

After three years' work on the problem, the Trust seems to have struck about as fair a balance as it can between the income share and capital stockholders. The income shareholders have been asked to take up a 13 for 10 rights issue at a premium to compensate the capital stockholders for the loss of their tendering right. Thereafter the income shares will get a stake in the capital growth and the capital stock-holders will get their hands on the assets in 1998.

The market's reaction to the proposals has been to push up the prices of both types of stock in advance of this week's vote on the proposals. Indeed, interest in split trusts seems to have been growing generally; there have been a couple of new issues and a conversion this year, and more are likely.

The problem with such trusts is the potential conflict of interest between the income maximisers and the go-for-growth group. Conventional wisdom states that fast growing companies should pay out less in dividends; the market reinforces this theory by pushing down yields on such shares. The counter-argument runs that carefully selected high yielders might outperform the others by realising their scope for recovery or being taken over. Perhaps the first group are the flat-earthers now.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday November 17 1986



# New issue volume swells in Eurobonds

THE EUROBOND market was in one of its traditional moods of feast and famine last week: after an exceptionally quiet start, new issues came thick and fast, writes Haig Simonian in London.

The reasons were less obvious. The cynics may whisper about syndicate managers' pent-up demand for new business to justify their year-end bonuses. The Cassandras, on the other hand, saw this week's events as just another sign of the Euromarket's gradual decline.

In a still fragile secondary market, where retail demand remains very much on the sidelines, more charitable answers take some finding though they are not invisible. The heart of the matter is the Euromarket's perennial problem: one lead manager's window being everyone else's display case. When one house sports what it may think is a reasonable issuing opportunity, a dozen others are likely to follow.

With a continuing overhang of paper in a largely professional secondary market, special features now seem almost mandatory for a new issue at its launch. They may be essential if it is to take off afterwards.

Among this week's novelties have been Thurday's debut of two-year paper for a sovereign borrower when Shearson Lehman led a $1bn jumbo for Denmark: and Chemical Bank International's detour around regulatory obstacles to let some Japanese banks issue Eurobonds even if dressed up as certificate-of-deposit notes – in the next five-year deal for Dai-Ichi Kangyo's London branch.

Run of the mill issues faced the danger of being eclipsed by mid-week as new-issue volume swelled. Despite the credit quality and government guarantee, Nippon Credit International was kept busy persuading a market wary of 10-year paper to buy its $100m straight deal for Japan Air Lines. Deutsche Bank Capital Markets also had its work cut out to sell its $100m straight for Asian Development Bank. The timing was outside the lead manager's control, however, as the ADB was refinancing an earlier Swiss franc facility.

With investors still cautious about the dollar, other currencies, including Canadian and New Zealand dollars, came to the fore. The Swiss franc had a busy week, driven perhaps by the maxim that it remains a lead manager's best bet when in doubt.

Ecu paper also staged a comeback, with four new issues last week. Not all met with investors' favour, however. The paper for the EEC and EIB went down well, but Morgan Guaranty's Ecu 50m deal for the Mortgage Bank of Finland was struggling and trading well outside its fees by late Friday afternoon. Changes in the Bundesbank's rules to allow German residents to open Ecu-dominated bank accounts may have helped the EIB issue, which was intended for West German investors. Meanwhile, Friday's Ecu 50m deal for Investors in Industry tapped new areas of investor demand, according to Warburg Securities, the lead manager.

The yen sector staged the biggest comeback. An improvement in the Japanese equity market and some recovery in government bonds helped sentiment, but interest and exchange-rate expectations triggered the rise in yen-dominated new issues.

The market thinks the Bank of Japan is trying to ease down short-term interest rates. On the currency side, the yen has been showing renewed strength, despite the recent US-Japanese exchange-rate pact. The dollar has been trading in the Y160 to Y162 range, and the Japanese currency's strength has prompted lead managers to bring out new Euroyen issues.

Volume could rise next week if the dollar falls below Y160, as some bankers expect. Investors are still wary of longer maturities, and prices even for five-year issues slipped between ⅛ and ½ point on Friday on account of what seemed a deluge of new paper the previous day.

Union Bank of Finland issued a Y16bn 5⅝ per cent 1992 bond, led by Sumitomo Finance International, and priced at 101½. Nomura International followed with a Y40bn 5½ per cent 1991 issue for New Zealand, priced at 101¼. The coupon apart, this deal was identical to that recently launched and then swiftly withdrawn by Daiwa.

Underlining investors' reluctance to buy maturities over five years, the Y10bn issue for the Austrian Verbundgesellschaft, which groups electricity generating industries, went down with a thud. Led by Yamaichi International (Europe), it was being quoted at less 2¼ bid by late Friday afternoon.

EUROMARKET TURNOVER
Turnover ($m)

| | Straight | Conv | FRN | Other |
|---|---|---|---|---|
| **Primary Market** | | | | |
| US$ | 1,322.9 | 448.1 | 3,128.5 | 2,494.1 |
| Prev | 806.9 | 886.5 | 1,826.1 | 3,045.8 |
| Other | 426.5 | 4.2 | | 212.6 |
| Prev | 1,621.3 | 173.4 | 47.5 | 88.3 |
| **Secondary Market** | | | | |
| US$ | 22,386.5 | 1,673.5 | 17,877.5 | 4,763.5 |
| Prev | 24,367.5 | 1,469.3 | 23,364.9 | 6,001.7 |
| Other | 12,712.7 | 271.2 | 3,446.9 | 8,426.5 |
| Prev | 14,544.6 | 248.9 | 2,546.5 | 6,064.4 |

| | Cedel | Euroclear | Total |
|---|---|---|---|
| US$ | 14,671.2 | 39,927.8 | 54,599.0 |
| Prev | 13,089.6 | 38,137.6 | 51,227.2 |
| Other | 10,821.9 | 12,718.2 | 23,480.1 |
| Prev | 13,268.5 | 12,807.6 | 25,876.1 |

Week to Nov. 13, 1986. Source: AIBD

# ICO credit oversubscribed despite Libid pricing

THE PATH-BREAKING $50m credit for ICO, Spain's state financing agency, was oversubscribed in the Euromarkets last week despite its very fine pricing which includes a margin of 15 basis points over the London interbank bid rate for Eurocurrency (Libid), writes Peter Montagnon in London.

Although small, the deal attracted considerable attention because of the Libid base for the pricing, which is extremely rare in the Eurocredit market. Libid is traditionally ⅛ point below Libor (the London interbank offered rate), and its use as a benchmark by ICO prompted fears that other borrowers might seek to use it as a new means of squeezing ever finer terms out of their bankers.

With the oversubscription of the ICO loan, which was arranged by Citicorp, the question now is whether Libid pricing might be adopted by other borrowers. The question is still hard to answer, however, because ICO was helped by the fact that the loan carries tax receipts promising extra returns to lenders in the UK and Belgium. Moreover, bankers report a sluggish initial response to another low margin credit, the $300m deal for the Soviet Foreign Trade Bank which carries an initial margin of ⅛ over Libor.

May Department Stores is arranging a $500m facility in the Euromarkets, also under the lead of Citicorp. The deal will replace an earlier $1.5bn standby loan facility taken out in the US domestic market at the time of May's bid for Associated Dry Goods earlier in the year. Following successful completion of the bid, which was eventually financed by an equity issue, the standby is being cancelled. The new Citicorp deal, alongside a separate $250m domestic facility in the US, replaces it.

The five-year facility bears an annual commitment fee of 7.5 basis points, and drawings will carry an interest margin of 20 basis points over London interbank offered rates plus a utilisation fee of up to 7½ basis points, depending on how much is used.

Elsewhere, Wimpey, the UK construction company, has launched a £240m uncommitted tender panel facility through Lloyds Merchant Bank which will allow it to raise funds through the issue of bankers' acceptances or short-term advances. Wimpey is not including a commercial paper dealership in this deal, as it prefers to appoint dealers for paper separately.

National Home Loans Corporation has appointed S. G. Warburg to arrange a £200m tender panel loan facility which will be partially backed up by a privately arranged £125m club credit completed earlier this month. Under the tender panel deal, National Home Loans will be able to solicit bids for cash advances which it will use to fund its mortgage portfolio while it builds up a pool of mortgages that will eventually be funded in the bond market.

Also in the sterling market, Manufacturers Hanover has won a £100m loan facility mandate from Wagon Finance, the UK finance house. This deal carries a three-year 11-month renewable maturity and carries a commitment fee of 10 basis points for the first two years rising to 12½ points thereafter. Maximum margin on drawings is 12½ points with an additional utilisation fee of 7½ points if over half is used.

Mitsubishi Bank has appointed Samuel Montagu to act as dealer on a £200m sterling certificate-of-deposit facility, the latest in a series of operations by banks wishing to cash in on the demand for short-term sterling assets which has not been fulfilled by issues of commercial paper. One new commercial paper programme has been announced in the sterling market, however – a £50m programme for Property Security Investment Trust for which County NatWest is sole dealer.

MCA, the US video and entertainment concern, has appointed Salomon Brothers as arranger on a $500m Eurocommercial paper programme which will complement its existing commercial paper borrowing in the US. The other dealer is County NatWest. Chemical Bank has been appointed dealer on an Ecu 200m certificate-of-deposit programme for Sanwa Bank's London branch.

Indonesia is expected soon to award a mandate for a $350m loan. Bankers in Hong Kong expect the eight-year deal to carry margins in the range of ⅝ to ¾ per cent over Libor.

# Further setback to Dome debt plan

By Bernard Simon in Toronto

DOME PETROLEUM'S efforts to stave off bankruptcy suffered a new setback with an ultimatum by a small group of public creditors demanding repayment of their loans to the debt-laden Calgary oil and gas producer.

Dome said that two groups holding C$240,000 (US$173,410) of Swiss franc notes which matured at the end of October have threatened to take legal action if principal payments are not made. The company declined to identify the parties, beyond saying that one was a group in Switzerland and the other a European individual.

Underlining its dire financial position, Dome announced separately that it suffered a loss of C$893m, equal to C$2.16 a share, in the third quarter compared with a C$19m, or 5 cents, suffered a year earlier. From being close to break-even point in 1985, Dome has lost C$875m in the first nine months of this year. Debts total C$6.3bn, making Dome one of the world's biggest corporate debtors.

The company has spent the past two months obtaining temporary waivers on interest and principal payments due to 54 bank lenders and its public creditors to give it breathing space for the negotiations of a capital restructuring plan. All but one of the bank lenders and a clear majority of public debt holders agreed to grant waivers until next June.

The sole dissenter among the banks, Bayerische Landesbank of West Germany, has said that it will delay legal action until mid-1987.

A Dome official said the company would contact the recalcitrant note holders today to inform them of the serious consequences of their proposed action. Cross-default provisions allow other creditors to move against the company if one group is not paid.

# Toshiba discusses link with Motorola

BY IAN RODGER IN TOKYO

TOSHIBA of Japan and Motorola of the US, two of the world's leading producers of semiconductors, are discussing collaboration in Japan.

This is the second proposed tie-up involving US and Japanese companies since a controversial agreement on semiconductor trade was reached between the two countries in July. Three weeks ago, Fujitsu, the Japanese computer maker, announced its intention to buy 80 per cent of Fairchild Semiconductor, a leading US chip maker.

Toshiba, which claims to be the fourth-largest semiconductor maker in the world, confirmed yesterday that it was discussing a second stage of collaboration with Motorola. This would follow the start-up last May of an agreement under which Toshiba supplies memory chips to the US company. Motorola, the world's third-largest semiconductor maker after NEC of Japan and Texas Instruments of the US, stopped making its own memory chips last year.

However, Toshiba would not confirm a report in a Japanese newspaper that the two will set up a 50-50 joint venture in Japan next year to make and market memory and microprocessors units. According to the report, the venture would build a Y30bn ($187m) plant in Izumi City about 250 km north of Tokyo.

A joint venture could help Motorola achieve one of the objectives of the Japan-US semiconductor agreement. Under the deal, US companies were to be given improved access to the Japanese market. Fairchild would gain similarly if it were taken over by Fujitsu.

US officials visited Tokyo last week to monitor the prices part of the accord, the other main thrust of the semiconductor agreement, that Japanese producers agreed to raise their export prices to "fair" values established by the US Commerce Department.

US companies have complained that Japanese producers were selling chips at lower prices in third countries, thus undermining the deals. Japanese statistics provide some support for this view, showing sharp recent increases in exports of semiconductors to South-East Asia and Latin America.

# BankAmerica produces details of restructuring

BY OUR FINANCIAL STAFF

BANKAMERICA, the troubled US west coast banking group struggling to fight off an unwelcome takeover approach from First Interstate, produced over the weekend details of its long-awaited plans to restructure its operations and to reduce its 75,000 worldwide staff by 5,000 before the end of 1987.

Mr A. W. Clausen, recently appointed chairman and chief executive, predicted that the measures, taken together, would contribute more than $3 a share to the bank's book value, bringing it to a new level of about $24.

The bank said its main objectives in future would be to concentrate on retail and wholesale banking in the western US as well as to offer a range of wholesale banking services in the national and international markets.

Activities which do not contribute towards these two areas would be considered as candidates for disposal, the bank said, although it also forecast that it would own and operate "a variety of related financial services businesses." Capital made available from the "refinement of its strategy" would be used to increase capital resources.

## US MONEY AND CREDIT

# Anxieties fade as Fed buys Treasury bills

WITH the quarterly refunding out of the way, the US credit markets were able to register a reasonable rally last week, with prices of long-dated Government securities rising by close to two points while short-term rates remained roughly unchanged.

Salomon Brothers blames three factors for the previous week's setback: dealers' inability to distribute a massive volume of new Government securities quickly; the response to the cautious tone of the September Federal Open Market Committee directive; and concern that October's strong employment growth might presage real economic acceleration.

"These anxieties began fading this week as it became apparent that there is currently little pressure on the central bank to change its policy course," says Salomon Brothers' Henry Kaufman. Indeed, he notes that the Federal Reserve Bank has begun responding with alacrity to pressures in the Federal funds market. Following the previous week's large Treasury bill sales, the Open Market desk at the Fed bought a substantial volume of Government coupon issues this week — the first coupon purchase since December 1985.

**US MONEY MARKET RATES (%)**

| | Last Friday | 1 week ago | 4 wks ago | 12-month High | 12-month Low |
|---|---|---|---|---|---|
| Fed Funds (weekly average) | 5.86 | 6.10 | 5.90 | 5.91 | 5.71 |
| Three-month Treasury bills | 5.37 | 5.32 | 5.29 | 7.40 | 5.31 |
| Six-month Treasury bills | 5.44 | 5.42 | 5.37 | 7.40 | 5.06 |
| Three-month prime CDs | 5.80 | 5.85 | 5.82 | 8.05 | 5.48 |
| 30-day Commercial Paper | 5.83 | 5.80 | 5.70 | 8.06 | 5.55 |
| 90-day Commercial Paper | 5.78 | 5.73 | 5.68 | 7.95 | 5.45 |

**US BOND PRICES AND YIELDS (%)**

| | Last Friday | Change on week | Yield | 1 week ago | 4 wks ago |
|---|---|---|---|---|---|
| Seven-year Treasury | 100⅝ | +⅞ | 7.10 | 7.30 | 7.32 |
| 20-year Treasury | 110⅞ | +2⅛ | 7.62 | 8.03 | 8.17 |
| 30-year Treasury | 99⅝ | +1⅞ | 7.52 | 7.66 | N/A |
| New 10-year "A" Financial | N/A | +⅛ | 8.50 | 8.53 | 8.63 |
| New "AA" Long utility | N/A | +⅛ | 9.25 | 9.28 | 9.38 |
| New "AA" Long Industrial | N/A | +⅛ | 9.05 | 9.05 | 9.25 |

Money Supply: In the week ended November 3 M1 fell by $400m to $703.4bn.

Source: Salomon Bros (estimates).

Last week's economic data allayed fears that a strong burst in economic activity was in the offing. Mr David Jones of Aubrey G. Lanston says that the eagerly awaited economic figures had little net market impact. "There was, on the positive side for bonds, the influence of the smaller-than-expected, 0.2 per cent increase in October's non-auto retail sales and unchanged industrial production. On the negative side, there was the higher-than-expected 0.3 per cent October increase (3.6 per cent annual rate) in producer prices."

The corporate bond market was extremely quiet last week, with trading in intermediate-term markets "almost non-existent," according to Smith Barney. It notes that the most conspicuous theme in the US corporate bond market at the moment continues to be investor anxiety about takeovers.

A number of investors in corporate bonds have been badly burned following takeovers by highly leveraged corporate raiders which have transformed the credit ratings and effectively reduced the quality of the corporate paper of the company being acquired.

Smith Barney notes that this factor largely accounts for the relative popularity of utility bonds. The takeover of a major utility is possible, though much more difficult than an industrial takeover, for political and regulatory reasons.

It says that the list if individual issuers whose paper investors feel comfortable purchasing has been dwindling continuously in recent months. Investors and traders must make some assumptions when investing and only large, high quality issuers like IBM or Dow Chemical enable them to assume continuity of the issuer's creditworthiness.

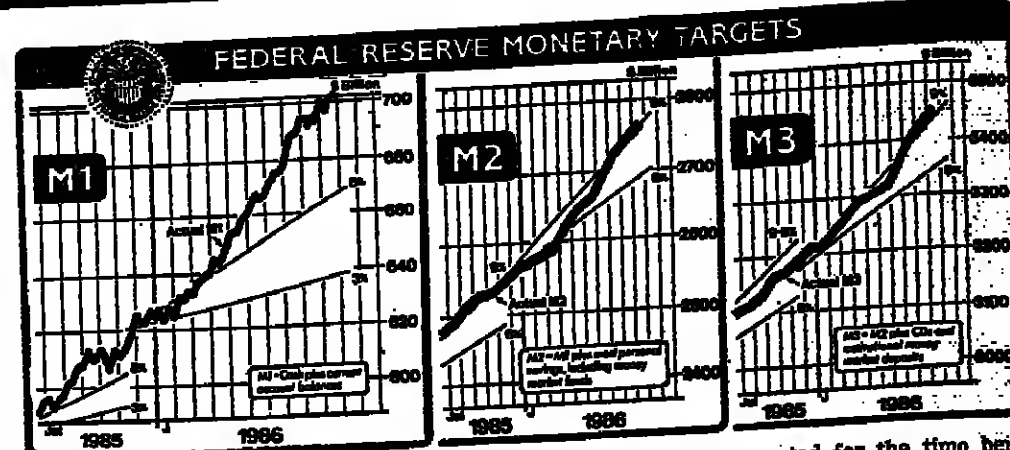
Smith Barney cites the case of Lear Siegler, a Californian conglomerate which agreed to be taken over for $1.7bn by the fast-expanding Wickes group. Traders believe Lear's credit quality to be in jeopardy but no one knows what status the bonds would have after a takeover by Wickes, so the bonds do not trade. Smith Barney believes that the emerging division in the bond market will inevitably raise the cost of debt for industrial users if it continues.

Among the few corporate borrowers coming to market last week, Niagara Mohawk Power offered $100m of 10 per cent, 30-year first mortgage bonds through a syndicate headed by Salomon Brothers and Merrill Lynch capital markets. The bonds, which are rated BAA1 by Moody's and Triple B by Standard & Poor's, yielded about 216 basis points above comparable Treasury issues.

Hershey Foods raised $100m through an offering of $50m of three-year notes with a 7 per cent coupon that was priced to yield 7.027 per cent, or 50 basis points above comparable Treasury issues, and a $50m tranche of 30-year debentures priced to yield 9.219 per cent, or 140 basis points above comparable US Treasury issues.

This week, the main economic news will be the announcement, on Wednesday morning, of the revised gross national product (GNP) figures for the third quarter and the October housing start figures the next day. The financial markets expect that the GNP figure could be revised slightly upwards from the indicated 2.4 per cent and are looking for a rebound in housing starts after the steep September decline.

On the international front, traders in the US credit markets will continue to monitor efforts by the Organisation of Petroleum Exporting Countries (Opec) to raise oil prices by $3 to $18 a barrel and any impact this might have on the health of the US dollar.




Last week, the US dollar lost ground against most major currencies and now seems ready to test the DM 2 level in its downwards descent. Following the recent US-Japanese agreement to limit exchange rate instability, the credit markets see the dollar/DM rate as the main battle ground for the US currency and are waiting to see whether the West German central bank will intervene again to stem the upwards rise in the D-Mark.

While hopes of an early cut in the discount rate have evaporated for the time being, there is still a consensus in the US credit markets which believes that the Federal Reserve's next move on monetary policy will be to ease rather than tighten.

Mr Philip Braverman of Irving Securities says that, although the market is struggling with a number of near term concerns, the most likely intermediate to longer-term forecast "still calls for appreciably lower interest rates."

**William Hall**

## UK GILTS

# Yields pushed through resistance levels

IT ONLY took a couple of shaky days for sterling on the foreign exchanges to send the UK Government bond market deeper into gloom last week. In the absence of any easy reliance on signals from the monetary aggregates, the exchange rate is currently the key determinant of behaviour in the gilts market.

Long yields had already fallen substantially in the wake of the Chancellor's Autumn Statement as the market started discounting the likely penalties of what it clearly regarded as a high-risk strategy for inflation and the current account.

Sterling's declines last week then pushed yields through the key resistance levels which had held since the last serious sterling crisis in February. The December long gilt futures contract slumped to an all-time low, albeit temporarily, in a particularly panicked Thursday session.

In the short-dated market, there had been some cautious optimism before sterling's declines, mostly because of successive opinion polls showing the Tories in the lead. Sterling's renewed vulnerability started nerves jangling again and yields shifted up to discount another base rate rise, although this seemed rather premature when the pound put in a steadier performance on Friday.

All this leaves the gilts market in a very nervous state which is reflected in the upward revisions of some brokerage forecasts for end-year long gilt yields to around current levels of 10.8 per cent from the lower end of the recent range of around 10.25 per cent. It seems no-one is expecting much improvement for the rest of the year.

The failure to react positively to last week's news of a fall in the official unemployment total, a further rise in manufacturing output, however modest, and the containment of retail price inflation was indicative of the depressed state of the market.

There was some covering of short positions in the futures market after the sharp fall on Thursday and some reports of patchy retail demand in the cash market at these depressed price levels. Yet the consensus in the market is that domestic institutions remain reluctant to commit themselves to fresh investments while overseas buyers, who had been expected to buy stock on sterling's steadier performance, have again withdrawn.

Official figures continue to show substantial outflows of British funds abroad, and the institutions are continuing to opt for lower yields in the US and West German bond markets because the currency risks are perceived to be limited.

Also hanging over the UK gilt-edged market are concerns about the liquidity of pension funds which have to meet the Government's requirements for limiting their surpluses. Several large funds could be moving towards decisions on contribution holidays which will cut down the liquidity available for investing in gilts.

On bright spot amidst the gloom is the state of Government funding, which seems well on track. Next week's Public Sector Borrowing Requirement for October is not expected to throw up any nasty surprises.

After initial scepticism about the Chancellor's assurance that this year's PSBR would not overrun its target, a view appears to be emerging that non-oil tax revenues may well be high enough to pay for the extra spending this year, as well as to fund some tax cuts in 1987.

October's money supply figures are forecast to show only a modest rise in Sterling M3, though they are unlikely to provoke a dramatic improvement in mood, not least because interpretation will be made harder by the changes to calendar month reporting.

**Janet Bush**



## FT / AIBD INTERNATIONAL BOND SERVICE

| US DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | 0 | 11.05 |
| [illegible] | [illegible] | [illegible] | −0⅛ | 7.36 |
| [illegible] | [illegible] | [illegible] | 0 | 0.45 |
| [illegible] | [illegible] | [illegible] | 0 | 9.14 |
| [illegible] | [illegible] | [illegible] | −0⅛ | 8.50 |
| [illegible] | [illegible] | [illegible] | 0 | 9.89 |
| [illegible] | [illegible] | [illegible] | +0⅛ | 8.20 |
| [illegible] | [illegible] | [illegible] | +0⅛ | 7.53 |
| [illegible] | [illegible] | [illegible] | +0⅛ | 8.10 |
| [illegible] | [illegible] | [illegible] | 0 | 8.29 |
| [illegible] | [illegible] | [illegible] | +0⅛ | 9.91 |
| [illegible] | [illegible] | [illegible] | 0 | 4.96 |
| [illegible] | [illegible] | [illegible] | 0 | 0.46 |
| [illegible] | [illegible] | [illegible] | −1⅛ | 7.87 |
| [illegible] | [illegible] | [illegible] | −0⅛ | 7.34 |
| [illegible] | [illegible] | [illegible] | 0 | 7.89 |
| [illegible] | [illegible] | [illegible] | −0½ | 8.56 |
| [illegible] | [illegible] | [illegible] | −0⅛ | 8.72 |
| [illegible] | [illegible] | [illegible] | −0⅛ | 8.75 |
| [illegible] | [illegible] | 110⅝ | −0⅛ | 9.66 |
| [illegible] | [illegible] | 107⅞ | −0⅛ | 0.41 |
| [illegible] | [illegible] | 121 | −0⅛ | 8.14 |
| [illegible] | [illegible] | 107⅞ | 0 | 0.51 |
| [illegible] | [illegible] | 106⅜ | +0⅛ | 9.41 |
| [illegible] | [illegible] | 111⅝ | 0 | 8.85 |
| [illegible] | [illegible] | 110⅝ | +0⅛ | 8.62 |
| [illegible] | [illegible] | 104⅞ | −0⅛ | 6.97 |
| [illegible] | [illegible] | 108⅝ | −0⅛ | 8.55 |
| [illegible] | [illegible] | 109⅝ | 0 | 10.24 |
| [illegible] | [illegible] | 102⅞ | −0⅛ | 9.50 |
| [illegible] | [illegible] | 104⅝ | −0⅛ | 10.35 |
| [illegible] | [illegible] | 115⅝ | +0⅛ | 7.87 |
| [illegible] | [illegible] | 120⅞ | −0⅛ | 7.70 |
| [illegible] | [illegible] | 106⅝ | 0 | 7.53 |
| [illegible] | [illegible] | 108⅜ | −0⅛ | 8.83 |
| [illegible] | [illegible] | 107⅞ | −0⅛ | 10.79 |
| [illegible] | [illegible] | 104⅞ | 0 | 10.51 |
| [illegible] | [illegible] | 118⅞ | 0 | 8.04 |
| [illegible] | [illegible] | 115½ | +0⅛ | 7.53 |
| [illegible] | [illegible] | 104⅝ | −0⅛ | 9.18 |
| [illegible] | [illegible] | 116½ | 0 | 7.84 |
| [illegible] | [illegible] | 111⅞ | 0 | 9.95 |
| [illegible] | [illegible] | 102⅞ | −3⅛ | 12.14 |
| [illegible] | [illegible] | 120 | +0⅛ | 7.58 |
| [illegible] | [illegible] | 101⅜ | 0 | 12.58 |
| [illegible] | [illegible] | 121⅞ | +0⅛ | 7.68 |
| [illegible] | [illegible] | 111⅞ | −0⅛ | 10.70 |
| [illegible] | [illegible] | 109⅝ | −0⅛ | 7.04 |
| [illegible] | [illegible] | 106½ | +0⅛ | 9.45 |
| [illegible] | [illegible] | 114⅝ | 0 | 7.79 |
| [illegible] | [illegible] | 109 | −0⅛ | 9.73 |
| [illegible] | [illegible] | 116⅝ | +0⅛ | 7.78 |
| [illegible] | [illegible] | 105⅝ | −0⅛ | 6.45 |
| [illegible] | [illegible] | 100 | −0⅛ | 7.68 |
| [illegible] | [illegible] | 102⅞ | +0⅛ | 8.36 |
| [illegible] | [illegible] | 111⅜ | +0⅛ | 7.03 |
| [illegible] | [illegible] | 106⅝ | +0⅛ | 7.45 |
| [illegible] | [illegible] | 103⅝ | −0⅛ | 7.55 |
| [illegible] | [illegible] | 114⅜ | +0⅛ | 7.20 |
| [illegible] | [illegible] | 110⅝ | 0 | 8.43 |
| [illegible] | [illegible] | 117⅞ | +0½ | 8.74 |
| [illegible] | [illegible] | 104½ | −0⅛ | 5.79 |
| [illegible] | [illegible] | 104⅝ | −0⅛ | 8.42 |
| [illegible] | [illegible] | 104⅝ | 0 | 6.36 |
| [illegible] | [illegible] | 108⅝ | 0 | 5.77 |
| [illegible] | [illegible] | 112⅞ | +0⅛ | 7.03 |
| [illegible] | [illegible] | 105⅝ | −0⅛ | 8.28 |
| [illegible] | [illegible] | 110 | −0½ | 7.37 |
| [illegible] | [illegible] | 105⅝ | −0⅛ | 8.69 |
| [illegible] | [illegible] | 124⅝ | +0⅛ | 8.01 |
| [illegible] | [illegible] | 105⅝ | −0⅛ | 6.40 |
| [illegible] | [illegible] | 109⅝ | −1⅞ | 8.89 |
| [illegible] | [illegible] | 106½ | 0 | 8.28 |
| [illegible] | [illegible] | 112⅞ | +0⅛ | 8.28 |
| [illegible] | [illegible] | 44⅝ | 0 | 8.72 |
| [illegible] | [illegible] | 105⅝ | 0 | 8.34 |
| [illegible] | [illegible] | 106⅝ | −0⅛ | 8.50 |
| [illegible] | [illegible] | 106½ | +0⅛ | 0.06 |
| [illegible] | [illegible] | 104⅝ | −0⅛ | 10.80 |
| [illegible] | [illegible] | 115½ | +0⅛ | 9.18 |
| [illegible] | [illegible] | 109⅝ | −0⅛ | 8.24 |
| [illegible] | [illegible] | 114⅝ | −0⅛ | 8.32 |
| [illegible] | [illegible] | 104⅝ | −0⅛ | 8.89 |
| [illegible] | [illegible] | 107⅝ | −0⅛ | 9.06 |
| [illegible] | [illegible] | 107⅝ | 0 | 8.36 |
| [illegible] | [illegible] | 104 | −0⅛ | 8.63 |
| [illegible] | [illegible] | 105½ | −1⅛ | 10.70 |
| [illegible] | [illegible] | 102⅝ | +0⅛ | 11.57 |
| [illegible] | [illegible] | 103⅝ | −0⅛ | 8.62 |
| [illegible] | [illegible] | 120⅝ | 0 | 8.46 |
| [illegible] | [illegible] | 107⅝ | 0 | 10.12 |
| [illegible] | [illegible] | 112 | +0⅛ | 8.63 |
| [illegible] | [illegible] | 103⅝ | −0⅛ | 9.12 |
| [illegible] | [illegible] | 105 | −0⅛ | 8.88 |
| [illegible] | [illegible] | 106 | −0⅛ | 9.04 |
| [illegible] | [illegible] | 99⅞ | 0 | 8.61 |
| [illegible] | [illegible] | 108⅛ | 0 | 8.99 |
| [illegible] | [illegible] | 99 | 0 | 8.21 |
| [illegible] | [illegible] | 108⅝ | 0 | 8.50 |
| [illegible] | [illegible] | 105⅝ | −0⅛ | 8.96 |
| [illegible] | [illegible] | 110⅞ | 0 | 8.93 |
| [illegible] | [illegible] | 107 | −0⅛ | 0.00 |
| [illegible] | [illegible] | 120⅝ | −0⅛ | 7.70 |
| [illegible] | [illegible] | 121⅞ | −0⅛ | 8.17 |
| [illegible] | [illegible] | 106⅞ | −0⅛ | 10.12 |
| [illegible] | [illegible] | 37½ | −0⅛ | 10.06 |
| [illegible] | [illegible] | 107⅝ | 0 | 10.69 |
| [illegible] | [illegible] | 109 | −0⅛ | 8.41 |
| [illegible] | [illegible] | 107⅝ | 0 | 8.11 |
| [illegible] | [illegible] | 118⅝ | −0⅛ | 8.97 |
| [illegible] | [illegible] | 108⅝ | −1⅛ | 8.64 |
| [illegible] | [illegible] | 107⅝ | 0 | 8.16 |
| [illegible] | [illegible] | 109⅝ | +0½ | 0.95 |
| [illegible] | [illegible] | 106⅝ | 0 | 9.18 |
| [illegible] | [illegible] | 120⅝ | 0 | 8.41 |
| [illegible] | [illegible] | 107⅝ | −2⅛ | 10.04 |
| [illegible] | [illegible] | 109⅞ | +0½ | 7.45 |
| [illegible] | [illegible] | 157½ | +47⅛ | 7.42 |
| [illegible] | [illegible] | 109⅝ | 0 | 7.23 |
| [illegible] | [illegible] | 119⅞ | −0⅛ | 8.17 |
| [illegible] | [illegible] | 103⅝ | −0⅛ | 10.60 |
| [illegible] | [illegible] | 111⅛ | −0⅛ | 8.58 |
| [illegible] | [illegible] | 108⅝ | 0 | 8.87 |
| [illegible] | [illegible] | 105½ | −0⅛ | 10.42 |
| [illegible] | [illegible] | 98⅝ | 8 | 8.11 |
| [illegible] | [illegible] | 107⅝ | 0 | 8.71 |
| [illegible] | [illegible] | 109 | +0⅛ | 9.02 |
| [illegible] | [illegible] | 116½ | −1⅛ | 0.06 |
| [illegible] | [illegible] | 106⅞ | −0⅛ | 8.82 |
| [illegible] | [illegible] | 105⅝ | −0⅛ | 7.13 |
| [illegible] | [illegible] | 114⅞ | −0⅛ | 8.48 |
| [illegible] | [illegible] | 111⅝ | −0⅛ | 8.85 |
| [illegible] | [illegible] | 106⅝ | −0⅛ | 7.99 |
| [illegible] | [illegible] | 113⅝ | −0⅛ | 8.58 |
| [illegible] | [illegible] | 111⅝ | 0 | 7.04 |
| [illegible] | [illegible] | 109½ | 0 | 8.94 |
| [illegible] | [illegible] | 104⅝ | −0⅛ | 8.88 |
| [illegible] | [illegible] | 111⅛ | 0 | 7.65 |
| [illegible] | [illegible] | 107⅝ | −1⅛ | 9.12 |
| [illegible] | [illegible] | 115⅝ | +0⅛ | 8.03 |
| [illegible] | [illegible] | 115½ | 0 | 8.70 |
| [illegible] | [illegible] | 114⅝ | −0⅛ | 7.80 |
| [illegible] | [illegible] | 87⅝ | −1⅛ | 12.05 |
| [illegible] | [illegible] | 107⅞ | −1 | 8.47 |
| [illegible] | [illegible] | 117⅝ | −0⅛ | 8.10 |
| [illegible] | [illegible] | 108⅝ | 0 | 8.62 |
| [illegible] | [illegible] | 97⅝ | +0⅛ | 8.42 |
| [illegible] | [illegible] | 106⅝ | 0 | 8.98 |
| [illegible] | [illegible] | 112⅞ | 0 | 8.83 |
| [illegible] | [illegible] | 110⅝ | +0⅛ | 7.32 |
| [illegible] | [illegible] | 119⅝ | +0⅛ | 7.96 |
| [illegible] | [illegible] | 114⅝ | 0 | 7.27 |
| [illegible] | [illegible] | 125⅝ | +0⅛ | 8.07 |
| [illegible] | [illegible] | 113⅝ | −0⅛ | 10.08 |
| [illegible] | [illegible] | 100 | −0⅛ | 10.25 |
| [illegible] | [illegible] | 112⅞ | −0⅛ | 8.45 |
| [illegible] | [illegible] | 105⅝ | +0⅛ | 7.83 |
| [illegible] | [illegible] | 104½ | −0⅛ | 8.85 |
| [illegible] | [illegible] | 110⅝ | −0⅛ | 9.12 |
| [illegible] | [illegible] | 106⅝ | −0½ | 8.51 |
| [illegible] | [illegible] | 34⅝ | −0⅛ | 9.17 |
| [illegible] | [illegible] | 110 | +0⅛ | 0.33 |
| [illegible] | [illegible] | 117⅝ | +0⅛ | 9.02 |
| [illegible] | [illegible] | 114 | −0⅛ | 8.47 |
| [illegible] | [illegible] | 110⅝ | 0 | 7.36 |
| RBC 11⅝ 90 | [illegible] | 108⅝ | +0⅛ | 8.04 |
| Rural Bk Aust 12 91 | 80 | 111⅛ | 0 | 8.58 |
| Sanwa Bank 11⅞ 92 | 150 | 112⅝ | −0⅛ | 8.84 |
| Sanwa Intl 11⅞ 92 | 100 | 110⅝ | 0 | 7.97 |
| Saskatchewan 10⅝ 92 | 100 | 111⅞ | +0⅛ | 7.53 |
| Saskatchewan 10⅝ 90 | 125 | 109½ | +0⅛ | 7.40 |
| Saskatchewan 11⅞ 89 | 100 | 111⅞ | 0 | 7.41 |
| Saskatchewan 18 92 | 150 | 129⅝ | 0 | 8.29 |
| Saskatchewan 18 89 | 125 | 118 | 0 | 7.28 |
| Scot Intl Fin 10⅝ 90 | 50 | 108 | −0½ | 7.98 |
| Sears O/S Fin 0 98 | 500 | 35⅞ | 0 | 0.35 |
| Sears O/S Fin 11⅛ 93 | 150 | 117 | −0⅛ | 8.28 |
| Sears Roebuck 10½ 91 | 150 | 106⅝ | −0⅛ | 0.80 |
| Sears Roebuck 11⅛ 91 | 150 | 113⅜ | −0⅛ | 7.73 |
| Sec Pacific 10⅝ 89 | 100 | 105⅝ | −0⅛ | 8.84 |
| Shearson/Amex 12⅝ 94 | 100 | 115⅝ | 0 | 8.08 |
| Shell (Canada) 14⅝ 92 | 125 | 114½ | +0⅛ | 10.71 |
| Signal Comps 11⅝ 92 | 125 | 109⅝ | −0⅛ | 0.39 |
| Standard Oil 10⅝ 89 | 150 | 103⅝ | 0 | 8.68 |
| Statoil 12 89 | 100 | 107⅜ | −0⅛ | 8.57 |
| Sumitomo F A 10⅝ 90 | 100 | 109⅝ | +0½ | 7.56 |
| Sumitomo Fin 11⅝ 92 | 150 | 118 | +0⅛ | 7.93 |
| Sumitomo Fin 12⅝ 91 | 150 | 116⅝ | 0 | 7.64 |
| Sumitomo Trust 12½ 92 | 100 | 116⅝ | −0⅛ | 8.49 |
| Sweden 6½ 94 | 150 | 101⅛ | +0⅛ | 7.87 |
| Sweden 11⅛ 89 | 200 | 111⅞ | 0 | 7.06 |
| Sweden 12⅝ 89 | 200 | 111⅜ | −0⅛ | 0.95 |
| Swedish Export 7½ 98 | 100 | 97⅞ | +0⅛ | 7.92 |
| Swedish Export 11⅛ 89 | 100 | 109 | +0⅛ | 8.94 |
| Swedish Export 12⅝ 89 | 100 | 110½ | −0⅛ | 8.44 |
| Taiyo Kobe 11⅞ 90 | 100 | 110⅝ | 0 | 8.15 |
| Tenneco Corp 11⅛ 89 | 150 | 105⅝ | −0⅛ | 8.52 |
| Texaco Capital 10⅝ 90 | 200 | 100⅝ | +0⅛ | 10.42 |
| Texaco Capital 11⅛ 95 | 250 | 100⅝ | +1½ | 10.96 |
| Texaco Capital 13½ 89 | 200 | 106 | −0⅛ | 10.77 |
| Texas Inst 11⅞ 91 | 150 | 108 | −0⅛ | 0.60 |
| Tokai Asia 11⅛ 98 | 100 | 117⅝ | −0⅛ | 8.53 |
| Tokai Asia 12⅝ 91 | 100 | 112⅜ | −0⅞ | 8.80 |
| Tokyo Elec Pr 13⅝ 88 | 100 | 112⅝ | −0⅛ | 8.11 |
| Toray Inds 11⅞ 92 | 50 | 110 | 0 | 3.64 |
| Toronto-Dom 12⅝ 89 | 50 | 110⅝ | +0⅛ | 7.87 |
| UBS 12⅝ 91 | 100 | 108½ | +0⅛ | 0.80 |
| Utd Tech 11⅛ 92 | 150 | 113⅝ | 0 | 7.92 |
| Veba 8 93 | 70 | 241 | 0 | 0.00 |
| West LB 11⅛ 90 | 100 | 113½ | 0 | 7.88 |
| Westpac 12⅝ 92 | 100 | 115⅝ | −0⅛ | 8.75 |
| Weyerhaeuser 11⅛ 90 | 60 | 106 | −0½ | 9.93 |
| World Bank 11 92 | 300 | 114⅞ | 0 | 7.45 |
| World Bank 11⅛ 90 | 200 | 114⅝ | +0⅛ | 7.01 |
| World Bank 11⅛ 88 | 200 | 109⅛ | −0⅛ | 8.71 |
| World Bank 12 98 | 200 | 122⅜ | 0 | 7.59 |
| World Bank 15 98 | 150 | 113 | −0⅛ | 8.66 |
| World Bank 16½ 88 | 100 | 117⅜ | −0⅛ | 8.36 |
| Yasuda Trust 12⅝ 89 | 100 | 111 | 0 | 7.18 |

| FLOATING RATE NOTES | Issued | Price | Chg. on week | C.cpn |
|---|---|---|---|---|
| Allied Irish ⅛ 96 | 100 | 100 | 0 | 7⅜ |
| Allied Irish ⅛ Perp | 100 | 97 | −1 | 6⅝ |
| Arab Bank Corp ⅛ 96 | 100 | 99 | 0 | 6⅝ |
| Banco di Roma ⅛ 88 | 150 | 100⅛ | 0 | 7⅜ |
| Bnc di Roma ⅛ 92 CU | 75 | 99⅝ | +0 | 7⅞ |
| BankAmerica O/S ⅛ 96 | 400 | 97⅞ | −0⅛ | 6⅞ |
| Bankers Tr NY ⅛ 94 | 200 | 100⅛ | 8 | 6⅝ |
| Bank Montreal ⅛ 94 £ | 100 | 100 | 0 | 11⅝ |
| BCI 0.15 98 | 300 | 100⅛ | 0 | 7⅛ |
| Bqe Nat Paris ⅛ 88 | 400 | 101⅛ | 0 | 5⅞ |
| Bqe Nat Paris ⅛ 95 | 400 | 101⅛ | 0 | 6⅝ |
| Barclays O/S ⅛ Perp | 500 | 101½ | +0½ | 6⅞ |
| Barclays OSS Inv ⅛ 04 | 350 | 100⅛ | 0 | 5⅝ |
| BBL ⅛ 99 | 100 | 100 | −0⅛ | 5⅞ |
| BFCE ⅛ 97 | 400 | 99⅞ | 0 | 6⅞ |
| BNP 05 | 300 | 99⅝ | 0 | 5⅞ |
| Belgium ⅛ 94 | 400 | 100⅛ | +0⅛ | 7⅛ |
| Belgium 8 0.03 2011 | 250 | 100½ | 0 | 6⅝ |
| CCF 97 | 250 | 98⅞ | 0 | 6⅝ |
| CEPME ⅛ 96 £ | 100 | 100⅛ | 0 | 10⅞ |
| Chase Manhattan ⅛ 00 | 250 | 100 | 0 | 6⅞ |
| Chase Manhattan ⅛ 09 | 400 | 100 | 0 | 6⅞ |
| Chemical NY ⅛ 89 | 300 | 99⅞ | 0 | 6⅝ |
| Citicorp O/S ⅛ 91 £ | 100 | 99⅝ | 0 | 9⅝ |
| Citicorp Bkg ⅛ 97 | 250 | 100 | 0 | 6⅞ |
| CNT ⅛ 00 | 300 | 100⅛ | 0 | 6⅞ |
| Commerzbank ⅛ 89 | 150 | 100⅛ | 0 | 7⅝ |
| Creditanstalt ⅛ 96 | 150 | 100⅛ | 0 | 8 |
| Credit Foncier 97 | 350 | 100 | 0 | 6⅞ |
| Credit Foncier ⅛ 00 £ | 100 | 100⅛ | 0 | 11½ |
| Credit Lyonnais ⅛ 96 | 300 | 101 | −0⅛ | 7⅞ |
| Credit Lyonnais ⅛ 98 | 250 | 100⅛ | 0 | 7⅝ |
| Credit Lyonnais ⅛ 00 | 200 | 100⅞ | +0⅛ | 6⅝ |
| Credit National ⅛ 96 £ | 100 | 100⅛ | −0⅛ | 10⅝ |
| Denmark ⅛ 04 | 500 | 100½ | 0 | 6⅞ |
| Eldorado Naka 89 | 100 | 100 | 0 | 5⅞ |
| Elec de France ⅛ 89 | 400 | 101⅛ | 0 | 6⅞ |
| ENEL ⅛ 93 £ | 100 | 100⅛ | 0 | 10⅞ |
| Exterior Int ⅛ 98 | 125 | 0 | 0 | 7⅛ |
| Ferro del Stat ⅛ 88 | 100 | 100⅛ | 0 | 7⅛ |
| Ferro del Stat 97 | 420 | 100 | 0 | 7½ |
| Finnpap ⅛ 95 | 100 | 100½ | 0 | 6⅞ |
| First Chicago ⅛ 94 | 100 | 99⅞ | 0 | 6⅝ |
| First Chicago ⅛ 97 | 200 | 99⅞ | 0 | 6⅞ |
| Ford Motor Cr ⅛ 91 | 200 | 100 | −0⅛ | 7⅛ |
| Fuji Intl ⅛ 98 | 200 | 100⅛ | −0⅛ | 6⅞ |
| GW-O/S Fn ⅛ 94 | 100 | 99½ | −0⅛ | 6⅞ |
| Grindlays ⅛ 94 | 100 | 100⅛ | 0 | 5⅞ |
| Ireland ⅛ 93 £ | 50 | 100⅛ | +0½ | 10⅞ |
| Ireland ⅛ 89 | 300 | 100⅛ | +0⅛ | 6⅝ |
| Ireland ⅛ 96 £ | 100 | 100 | 0 | 10⅝ |
| Ireland ⅛ 97 | 200 | 100 | 0 | 5⅞ |
| Italy ⅛ 94 | 1bn | 100⅛ | 0 | 6⅞ |
| Italy 00 | 500 | 100⅛ | 0 | 6⅝ |
| Italy ⅛ 05 | 500 | 100⅛ | 0 | 6⅝ |
| Lincoln B & L ⅛ 98 | 100 | 100⅛ | 0 | 6⅞ |
| Lloyds Bank ⅛ Perp | 780 | 100 | 0 | 7⅛ |
| Lloyds Euro ⅛ 93 | 200 | 100½ | 0 | 7⅞ |
| Lloyds Euro ⅛ 04 | 250 | 100⅛ | 0 | 6⅝ |
| Malaysia ⅛ 93 | 850 | 99⅞ | 0 | 6⅝ |
| Malaysia ⅛ 55 | 650 | 93½ | −1 | 6⅝ |
| Malaysia ⅛ 94 | 600 | 97⅞ | −0⅛ | 7⅛ |
| Malaysia ⅛ 94 600 | 600 | 98⅜ | −0⅛ | 8 |
| Man Hanover ⅛ 97 | 200 | 100⅛ | 0 | 6⅞ |
| Marine Midland ⅛ 96 | 125 | 100 | 0 | 6⅝ |
| Marine Midland ⅛ 09 | 150 | 100 | 0 | 6⅞ |
| Mellon Bank ⅛ 90 | 250 | 100⅛ | 0 | 5⅞ |
| Midland Int ⅛ 98 | 200 | 100 | 0 | 5⅞ |
| Mitsui Fin ⅛ 96 | 100 | 100 | 0 | 6⅞ |
| Morgan Grenfell ⅛ 94 | 98 | 100⅛ | 0 | 11⅛ |
| Mtg Intsread ⅛ 10 £ | 50 | 100⅛ | 0 | 11⅞ |
| Nationwide 1/10th 96 | 250 | 99⅞ | −0⅛ | 11⅞ |
| Nat Bank Canada ⅛ 91 | 50 | 100⅛ | +0⅛ | 7 |
| NatWest ⅛ 05 | 400 | 100½ | 0 | 6⅞ |
| NatWest Fin ⅛ Perp | 500 | 100⅞ | +0⅛ | 6½ |
| Neste Oy ⅛ 94 | 100 | 100 | 0 | 6⅞ |
| New Zealand ⅛ 96 | 200 | 100⅛ | 0 | 7⅞ |
| New Zealand 2001 | 350 | 100⅛ | 0 | 8 |
| NZ Steel Corp ⅛ 92 | 300 | 100⅛ | 0 | 7⅝ |
| Oster Land Bank ⅛ 89 | 100 | 100⅛ | 0 | 6⅝ |
| Portugal ⅛ 92 | 100 | 100 | 0 | 0⅞ |
| Quebec Hydro ⅛ Perp | 400 | 98⅝ | −0⅛ | 6⅞ |
| Renfe ⅛ 91 | 100 | 100⅛ | 0 | 6⅝ |
| Royal Bk Canada ⅛ 05 | 360 | 100 | 0 | 5⅞ |
| Sanwa Int Fin ⅛ 92 | 150 | 100⅛ | 0 | 6⅞ |
| Security Pac ⅛ 97 | 250 | 99⅝ | 0 | 0⅞ |
| Shawmut Corp ⅛ 97 | 90 | 99⅝ | 0 | 6⅝ |
| SNCF ⅛ 93 £ | 75 | 100½ | −0⅛ | 11⅛ |
| Soc Generale ⅛ 97 | 400 | 100⅛ | +0⅛ | 6⅝ |
| Soc Generale ⅛ 94 | 250 | 100⅛ | 0 | 6⅝ |
| Spain ⅛ 97 | 200 | 100⅛ | 0 | 6⅞ |
| Standard Chart ⅛ 94 | 200 | 100⅛ | 0 | 8⅞ |
| Sumitomo Trust ⅛ 94 | 100 | 106⅛ | 0 | 0⅞ |
| Sweden 90 | 700 | 100⅛ | 0 | 6⅝ |
| Sweden ⅛ 00 | 750 | 100½ | 0 | 7⅛ |
| Taiyo ⅛ 04 | 100 | 100⅛ | 0 | 7⅞ |
| Takugin ⅛ 94 | 100 | 100⅛ | −0⅛ | 6⅝ |
| Thailand ⅛ 05 | 80 | 98⅞ | −0⅛ | 0⅞ |
| Toyo Trust Asia ⅛ 89 | 100 | 0 | 0 | 7⅞ |
| USAF ⅛ 90 | 65 | 99⅝ | 0 | 7 |
| Union Bank-Norw ⅛ 98 | 50 | 98⅝ | 0 | 6⅞ |
| United Kingdom 92 | 2.5bn | 100⅛ | 0 | 5⅞ |
| Wells Fargo ⅛ 94 | 150 | 100⅛ | +0⅛ | 5⅞ |
| Wells Fargo ⅛ 96 | 50 | 99⅞ | 0 | 6⅝ |
| Yokohama ⅛ 94 | 100 | 100⅛ | −0⅛ | 6⅞ |
| Yorkshire Int ⅛ 94 £ | 75 | 100⅛ | 0 | 11⅛ |

| CONVERTIBLE BONDS | Issued | Price | Chg. on week | Prem. |
|---|---|---|---|---|
| Ajinomoto 3 99 | 120 | 247⅝ | +10⅛ | 0.70 |
| Ajinomoto 5⅛ 96 | 40 | 335½ | +19½ | 0.54 |
| Best Denki 5⅛ 97 | 16 | 294⅝ | +10⅛ | −1.10 |
| Canon 7 97 | 50 | 256 | −6⅛ | −3.43 |
| Daiwa Secs 5⅝ 96 | 60 | 142½ | +3⅛ | −4.42 |
| EIR Ind 4⅞ 95 | 85 | 577½ | +52 | 0.58 |
| Electrowatt 8 98 | 51 | 151⅞ | +2⅞ | −3.43 |
| Fuji Bank 2⅝ 00 | 100 | 151⅝ | +2⅛ | 2.22 |
| Fujitsu S 98 | 180 | 127⅝ | +0⅛ | 0.41 |
| Intec Inc 3 99 | 50 | 180⅝ | −8 | −0.56 |
| Kyowa Hakko 6⅛ 97 | 40 | 452⅛ | +16½ | −1.98 |
| LASMO 9⅝ 98 | 44 | 95⅞ | +0⅛ | 98.17 |
| Murata Mfg. 3½ 00 | 100 | 171⅝ | −2⅛ | 18.55 |
| Ono Pharm 3⅛ 98 | 60 | 245½ | +3½ | −1.80 |
| Secom 3⅛ 98 | 80 | 258½ | −0⅛ | 9.64 |
| Sumitomo Corp 2⅞ 99 | 70 | 227½ | +13⅛ | −1.48 |
| Sumitomo Tst Bk 2⅞ 01 | 150 | 124⅛ | +2 | −0.08 |
| Texaco Capital 11⅞ 94 | 1bn | 106⅛ | 0 | 44.52 |
| Texaco Capital 11⅛ 94 | 500 | 105⅝ | −0⅛ | 44.89 |
| Tsumura J'tando 6⅛ 96 | 30 | 151⅛ | +8 | 0.12 |
| USAIR Fin 7 98 | 50 | 113⅛ | −5 | 1.49 |

| YEN STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Asian Dev Bk 7⅛ 94 | 15 | 106⅝ | +0⅛ | 5.85 |
| Avon Products 6⅝ 91 | 25 | 101⅛ | +0⅛ | 6.33 |
| Denmark 6⅛ 92 | 20 | 104½ | +0⅛ | 5.71 |
| Dow Chemical 7 94 | 50 | 102⅝ | 0 | 6.61 |
| Elec de France 6⅞ 95 | 20 | 105⅛ | +0⅛ | 6.02 |
| Eurofima 7⅛ 94 | 10 | 106⅛ | +0⅛ | 6.36 |
| Eurofima 6⅝ 92 | 10 | 103⅝ | +0⅛ | 5.81 |
| FNMA 6⅝ 92 | 50 | 104½ | +0⅛ | 5.85 |
| GMAC 6⅞ 90 | 25 | 102⅝ | +0⅛ | 5.98 |
| Intel 6⅞ 92 | 12.5 | 100⅛ | +0⅛ | 6.58 |
| Int-Amer Dev 7⅛ 93 | 18 | 105⅛ | 0 | 6.84 |
| ITT 6⅝ 92 | 20 | 103⅛ | +0⅛ | 8.56 |
| McDonald Corp 6½ 92 | 25 | 103 | +0⅛ | 5.81 |
| New Zealand 7⅛ 90 | 15 | 108⅛ | +0⅛ | 5.36 |
| New Zealand 7⅛ 89 | 18 | 106⅝ | +0⅛ | 5.18 |
| Pacific Gas & El 7 94 | 20 | 104⅛ | +0⅛ | 6.27 |
| Penney J C 6⅝ 92 | 25 | 102⅞ | 0 | 5.88 |
| Procter 6⅝ 92 | 25 | 103½ | +0⅛ | 5.82 |
| Sallie Mae 6⅛ 92 | 25 | 103⅜ | 0 | 5.79 |
| TRW 7 94 | 10 | 102⅛ | +0⅛ | 6.61 |
| Utd Technology 6⅞ 92 | 20 | 103⅛ | +0⅛ | 5.90 |
| World Bank 7 94 | 20 | 106⅞ | +0⅛ | 5.83 |
| World Bank 7⅝ 93 | 20 | 106⅝ | +0⅛ | 5.97 |
| World Bank 8 93 | 30 | 111⅛ | −0½ | 5.83 |

| LUXFR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Asian Dev Bank 6⅝ 87 | 400 | 98⅝ | 0 | 7.49 |
| Eurofima 10 94 | 800 | 105⅛ | +0⅛ | 8.98 |
| E Coal & Steel 10½ 94 | 1bn | 106⅛ | 0 | 9.31 |
| Euro Invest Bk 10½ 94 | 1bn | 111⅞ | +0½ | 8.33 |
| World Bank 10⅛ 89 | 1bn | 103½ | 0 | 8.64 |

| GUILDER STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| ABN 8 89 | 200 | 104½ | 0 | 5.72 |
| ABN 7⅛ 88 | 150 | 105⅝ | +0⅛ | 5.72 |
| Amro Bank 7⅛ 88 | 150 | 103⅝ | −0⅛ | 5.67 |
| Amro Bank 8 88 | 200 | 104½ | 0 | 5.86 |
| Bk Mees & Hope 8⅛ 89 | 100 | 105 | −0⅛ | 5.84 |
| Beatrice Foods 8⅛ 88 | 100 | 105⅛ | 0 | 0.89 |
| C C Rabo 8 88 | 150 | 104⅛ | 0 | 5.87 |
| Denmark 8½ 91 | 300 | 109⅛ | −0⅛ | 6.04 |
| Int Stand Elec 8½ 89 | 100 | 104⅝ | 0 | 9.10 |
| New Zealand 8⅛ 88 | 100 | 105½ | +0⅛ | 5.94 |

| CANADIAN DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Amex 12⅝ 91 | 50 | 104⅝ | +0⅛ | 11.07 |
| Aust Resources 11⅛ 92 | 50 | 105⅝ | 0 | 10.17 |
| Bank of Tokyo 10⅞ 92 | 75 | 102 | 0 | 10.34 |
| Bqe l'Indosuez 14 91 | 75 | 112⅝ | −0½ | 10.44 |
| Br Col Munic 12⅝ 91 | 100 | 108⅛ | 0 | 9.74 |
| Br Col Munic 13½ 91 | 100 | 113⅞ | 0 | 9.62 |
| Br Col Tele 12⅝ 89 | 70 | 104½ | −0⅛ | 11.58 |
| Farm Cred Corp 12⅛ 90 | 75 | 100 | +0⅛ | 10.28 |
| Kredietbank 12 92 | 75 | 106 | +0⅛ | 10.42 |
| LongTerm Cd Fn 11⅛ 90 | 75 | 104½ | +0⅛ | 9.89 |
| Montreal City 12⅝ 91 | 50 | 107⅛ | +0⅛ | 10.11 |
| New Brunswick 12 95 | 75 | 110⅛ | +0⅛ | 10.11 |
| Nova Scotia 11⅛ 98 | 100 | 107⅛ | +0⅛ | 10.17 |
| Quebec Hydro 14 91 | 75 | 108½ | −0⅛ | 12.04 |

| ECU STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| ABN 9½ 92 | 100 | 103⅞ | 0 | 8.88 |
| Australia & NZ 10⅛ 91 | 50 | 104⅞ | 0 | 0.31 |
| Austria 10⅝ 93 | 100 | 111½ | +0⅛ | 8.17 |
| BFCE 9⅝ 92 | 100 | 108 | +0⅛ | 7.81 |
| Cred Lyonnais 6½ 92 | 175 | 94⅛ | +0⅛ | 7.72 |
| Cred National 10⅛ 94 | 90 | 110½ | 0 | 8.88 |
| Cred National 11⅛ 91 | 50 | 108⅛ | −0⅛ | 8.98 |
| Denmark 10⅛ 91 | 75 | 101 | 0 | 10.42 |
| Ebco Intl 10⅛ 89 | 55 | 103⅜ | −0⅛ | 9.17 |
| EEC 11 93 | 50 | 101⅛ | 0 | 10.73 |
| EEC 11⅛ 91 | 50 | 108⅛ | 0 | 8.98 |
| EEC 11⅛ 93 | 70 | 100⅛ | 0 | 11.07 |
| Euro Invest Bk 9⅛ 95 | 200 | 104⅞ | +0⅛ | 8.40 |
| Euro Invest Bk 10⅛ 94 | 130 | 112 | −0⅛ | 7.80 |
| Euro Invest Bk 10⅛ 88 | 50 | 102⅛ | −2½ | 9.06 |
| Euro Invest Bk 10⅝ 94 | 100 | 107⅛ | −0⅛ | 9.13 |
| Euro Invest Bk 11⅛ 92 | 75 | 110 | 0 | 8.72 |
| Euro Invest Bk 11⅛ 93 | 50 | 106⅛ | +0⅛ | 9.77 |
| Genfinance 11 90 | 70 | 106⅛ | +0⅛ | 8.85 |
| Giro Vienna 10⅛ 93 | 60 | 110 | 0 | [illegible] |
| GTE Finance 10⅞ 92 | 50 | 105 | 0 | 9.62 |
| Ireland 10⅛ 95 | 50 | 106 | −0⅛ | [illegible] |
| Italian Govt 10½ 92 | 600 | 110⅛ | +0⅛ | [illegible] |
| Italian Treas 11⅛ 90 | 600 | 109½ | +1⅛ | [illegible] |
| Italy 9⅛ 98 | 200 | 104⅞ | −0⅛ | 7.11 |
| Kredietbank L 9⅛ 92 | 75 | 102⅞ | +0⅛ | [illegible] |
| Morgan Gty Tst 8½ 90 | 100 | 103⅛ | +0⅛ | 7.32 |
| Nippon Cred Bk 11 91 | 50 | 105⅛ | 0 | 9.44 |
| Post Och Kred 10½ 92 | 50 | 101⅛ | +1⅛ | 10.50 |
| Royal Bk Can 10.5 89 | 85 | 103⅝ | +0⅛ | [illegible] |
| SNCI 10⅛ 94 | 60 | 107⅛ | 0 | 9.40 |
| Swedish Export 11 89 | 57 | 103½ | 0 | [illegible] |
| West LB 10⅛ 91 | 60 | 102⅝ | +0⅛ | [illegible] |
| World Bank 10⅛ 88 | 100 | 103⅛ | −0⅛ | [illegible] |

| AUSTRALIAN DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Comm Bk Aust 12⅝ 90 | 200 | 97⅛ | +0⅛ | [illegible] |
| Nat Aust Bk 12⅝ 89 | 40 | 95⅛ | +0⅛ | [illegible] |
| PIBA Bk NSW 12⅝ 89 | 50 | 94⅞ | 0 | [illegible] |
| Smts Bk NSW 12⅝ 89 | 40 | 95⅝ | 0 | [illegible] |

| STERLING STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| BAT Intl 10⅝ 91 | 100 | 97⅝ | −0⅞ | [illegible] |
| Denmark 10⅝ 89 | 75 | 98⅛ | −1⅛ | [illegible] |
| EEC 11⅛ 94 | 50 | 99½ | −0⅛ | [illegible] |
| Europarat 11⅛ 92 | 50 | 98 | −0⅛ | [illegible] |
| Euro Invest Bk 10⅝ 92 | 50 | 97½ | −0⅛ | [illegible] |
| Finland 11⅞ 88 | 50 | 100⅛ | 0 | [illegible] |
| Grand Met Fin 10⅛ 90 | 50 | 96 | −0⅛ | [illegible] |
| ICI 10⅛ 92 | 75 | 96⅛ | −1⅛ | [illegible] |
| Int-Amer Dev 11⅛ 91 | 60 | 98⅞ | −1⅛ | [illegible] |
| Int Stand Elec 11⅛ 89 | 50 | 98⅛ | −0⅛ | [illegible] |
| Ireland 11⅛ 94 | 50 | 98½ | −0⅛ | [illegible] |
| New Zealand 10⅛ 90 | 100 | 97⅝ | −0⅛ | [illegible] |
| OFNC 11⅛ 94 | 60 | 98⅛ | −1⅛ | [illegible] |
| World Bank 10⅝ 89 | 100 | 98⅛ | −0⅛ | [illegible] |
| World Bank 10⅝ 89 | 50 | 98½ | −0⅛ | [illegible] |
| World Bank 11 94 | 60 | 98⅛ | −1⅛ | [illegible] |

| EQUITY WARRANTS | Expiry date | Price | Chg. on week | Prem. |
|---|---|---|---|---|
| Casio Computer | 6/3/88 | 46 | −7 | [illegible] |
| Credit Suisse | 31/5/88 | 98⅛ | −2 | [illegible] |
| IC Industries | 15/6/88 | 52½ | −4⅛ | [illegible] |
| International Pirelli | 14/6/88 | 107⅛ | +2⅛ | [illegible] |
| Pilkington Bros | 21/8/91 | 150 | −13 | [illegible] |
| Prudntl O/B Fndg | 18/12/88 | 320 | +10 | [illegible] |
| Renown | 24/1/89 | 24 | +0½ | [illegible] |
| SBC Finance | 17/9/90 | 91⅛ | +2 | [illegible] |
| Siemens Watrn Fin | 19/8/92 | 194½ | −8 | [illegible] |
| Swissair Finance | 19/9/89 | 246 | −15 | [illegible] |
| Swiss Bank Corp | 20/12/88 | 117 | −2 | [illegible] |
| Swiss Volksbank A | 1/12/88 | 540 | −10 | [illegible] |
| Union Bk Switz A | 30/11/89 | 28½ | −0⅛ | [illegible] |

| BOND WARRANTS | Expiry date | Price | Chg. on week | Ex. yield |
|---|---|---|---|---|
| Aegon Ins 11⅛ 91 | 15/2/88 | 85 | −7 | [illegible] |
| Coca Cola 11⅛ 91 | 28/11/88 | 119½ | −0⅛ | [illegible] |
| Dai-Ichi K 6½ 96 B | 1/1 90 | 0 | | |
| Du Pont 13⅝ 89 | 25/8/86 | 0 | | |
| Ekaportfinas 13⅝ 89 | 15/8/87 | 127⅛ | −0⅛ | [illegible] |
| Holland Air 11⅛ 91 | 10/6/88 | 91⅛ | −1 | [illegible] |
| Ind Bk Jpn 12⅝ 91 | 5/10/89 | 159 | +3 | [illegible] |
| Mitsubishi Fn 12⅛ 91 | 8/11/89 | 162 | +6½ | [illegible] |
| J P Morgan 11⅛ 90 | 16/8/87 | 84½ | −0⅛ | [illegible] |
| Texaco Cap 12⅝ 92 | 1/8/87 | 50 | −3⅛ | [illegible] |
| Wils Frgo A 12⅝ 91 | 27/12/89 | 168 | −2½ | [illegible] |
| [illegible] C 11⅛ 90 | 15/11/87 | 87½ | −0⅛ | [illegible] |

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except (for yen bonds, where it is in billions.

FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate († three-month; § above mean rate) for US dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on November 14.

# INTERNATIONAL CAPITAL MARKETS AND COMPANIES

## Renault to transfer Mack stake to loss-making RVI subsidiary

BY PAUL BETTS IN PARIS

RENAULT, the French state-owned motor group, is expected to transfer the 42 per cent stake it owns in Mack Trucks, the US heavy duty lorry manufacturer, to Renault Véhicules Industriels, its large loss-making truck subsidiary, before the end of this year as part of a FFr 3bn ($457m) refinancing operation.

RVI urgently needs to restructure its balance sheet to avoid being forced to file for bankruptcy at the end of this year. The truck company, which lost FFr 1.5bn last year and FFr 3bn the year before, expects to reduce its losses to about FFr 1bn this year. Despite this reduction in losses reflecting strenuous restructuring efforts, RVI requires support from its parent to restore a balance sheet burdened by heavy debts and accumulated losses.

The transfer of the Mack stake will contribute about $250m to reconstitute RVI's capital stock. Renault is also expected to provide at least FFr 1bn or possibly more either by injecting fresh funds or by retiring debt. Capital stock will be further increased by the revaluation of some of RVI's assets.

The transfer of the Mack shares and the capital reconstruction of RVI appears to reflect both Renault's ongoing commitment to the truck business as well as its decision to give RVI even greater autonomy to conduct its recovery strategy.

Since Mr Georges Besse became chairman of Renault nearly two years ago to restore the troubled car group to profitability, there has been at times speculation that he might consider hiving off the truck business. However, Mr Besse has so far confirmed his group's commitment to RVI.

RVI hopes to return to the black in 1988 after its latest restructuring programme involving about 2,700 jobs cuts to bring the workforce down to 19,000 by the end of next year. The strategy of the truck group, led by Mr Philippe Gras, its chairman, is designed first to restore the company back to good health and then seek to negotiate from a stronger position collaborations and alliances with other truck manufacturers.

At the same time as helping to reconstitute the capital of RVI, Renault itself is seeking to restore its own balance sheet, which is weighed down by debts totalling FFr 60bn. The group is now forecasting a loss of about FFr 5bn this year after a loss of FFr 10.9bn last year.

Boosted by the introduction of new models, the Renault group has been regaining domestic market share in France this year. The latest French new car registration figures show Renault sales up by 24 per cent last month over October 1985 and the group's penetration totalling 34.4 per cent. For the first 10 months of this year, Renault's sales in France increased 12.5 per cent and its market share has totalled 30.7 per cent for this period.

## Madrid sees opening of second market

BY DAVID WHITE IN MADRID

A "SECOND MARKET" aimed at attracting growth companies on to the stock exchange opens in Madrid today – but with only one company due to be quoted at the outset.

Officials of the Madrid exchange said that they had considered waiting until more companies were ready to come to the market, in order to launch the product "with more of a *fanfare*", but had decided to go ahead as scheduled.

About 30 other companies were considering coming on to the new market – which is closely modelled on the Paris Bourse's *second marché* – in the next few months, they said.

The first company to be listed will be Mercapital, a financial services venture set up a year ago with 58 partners. Its Pta 500m ($4m) equity capital is 20 times the Pta 25m minimum stipulated for the new market.

In order to be eligible, companies must place at least 20 per cent of their shares on the market. Rules on financial information are slightly more relaxed than on the main stock exchange, with figures having to be presented every six months instead of every three months.

## Procordia pullout raises new doubts for Fermenta

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

THE FUTURE ownership of Fermenta, the Swedish antibiotics and animal health group, was plunged into fresh uncertainty last night when Procordia, the Swedish state holding company, pulled out of the planned deal which would have established it as the dominant shareholder in the troubled group.

On the eve of today's Fermenta extraordinary share meeting at which Mr Soren Gyll, Procordia managing director, and Mr Olle Enstam, deputy managing director, were due to be elected to the Fermenta board, the state-owned company suddenly announced that it was pulling out of the deal because Mr Refaat El-Sayed, the controversial main shareholder and group chief executive of Fermenta, had failed to provide the necessary legal guarantees.

Procordia had emerged as a new industrial partner for Fermenta when the planned takeover of the company by Montedison, the Italian chemicals group, collapsed amid bitter recriminations last month. Procordia had agreed to purchase 1m A shares from Mr El-Sayed for some Skr 200m ($28.8m) and had taken options on a further 3m A shares which could have given it a stake totalling some 43 per cent of the votes within the next 12 months.

Mr Enstam said last night that Mr El-Sayed had failed to provide the necessary legal document guaranteeing that Procordia would have access to these additional 3m shares if it should decide to exercise its option.

He said that Mr El-Sayed had originally had a six-week grace period until October 15 to provide this guarantee. When he failed to meet this obligation, Procordia had extended the period to 10 weeks to November 15. As Mr El-Sayed had again failed to meet this obligation, the company had decided to pull out.

The sudden withdrawal of Procordia leaves Mr El-Sayed facing a tricky personal debt problem. He has debt repayments of some SKr 550m, to make next month, and the payment from Procordia would have provided crucial financial support.

Mr El-Sayed and Fermenta have been surrounded by turbulence for nearly 12 months, and last Friday it emerged that the director of the Stockholm Stock Exchange had recently tried to have the company expelled from the bourse

## Settsu agrees to buy 21.5% of Caraustar

By Ian Rodger in Tokyo

SETTSU CORPORATION, Japan's leading paperboard maker, has agreed to acquire a 21.5 per cent stake in Caraustar Industries, the US paper maker, for approximately Y5bn ($31.2m).

Settsu said its move, which would make it the largest shareholder in Caraustar, was aimed at establishing a manufacturing base in the US.

The company anticipates that the Japanese market will become more difficult, partly because of sluggish paperboard demand but also because the rise of the yen against the dollar is expected to cause an increase in imports from the US.

## Ferruzzi buys further stake

By Alan Friedman in Milan

MR RAOUL GARDINI, chairman of Italy's Ferruzzi agro-industrial group, announced that his group now controls 25 per cent of the equity of Montedison, the Milan-based chemicals, health care and energy concern.

## Zurich places covered warrants

By John Wicks in Zurich

THE CITY of Zurich today introduces a new type of private placement, in which a public-authority borrowing is linked to warrants on the equity of a listed company.

A series of 10-year warrant bonds with a coupon of 2.25 per cent and a maximum issue value of SFr 100m ($60m) is being placed for the city by a consortium led by Zurich Cantonal Bank and also comprising BZ Bank Zuerich and Bank Leu.

Every SFr 5,000 of the placement, whose titles will be traded pre-bourse in Zurich, will be equipped with two three-year warrants issued by BZ Bank Zuerich. Each warrant will entitle the bearer to purchase one registered share of the Basle chemical company Ciba-Geigy between November 26 1986 and November 30 1989 at a unit price of SFr 1,050 "or a price adjusted in accordance with the warrant conditions."

At the end of last week, Ciba-Geigy's SFr 100 registered shares had been trading at just over SFr 1,750 each.

Earlier this month, BZ Bank Zuerich had pioneered covered warrant issues in Switzerland by placing 100,000 warrants, also against Ciba-Geigy registered shares at a price of SFr 1,950. This offering had been "many times over-subscribed" and started off a continuing series of covered-warrant transactions against registered shares.

These are particularly interesting to foreign investors in that registered shares of Swiss companies cannot normally be bought directly by foreigners.

● Bank in Liechtenstein of Vaduz announced that its recent private placement of 100,000 participation certificates has been "extremely successful." The offer, which was limited to "in-house clients of the bank and its subsidiaries," had to be rationed after it had been subscribed several times over.

Trading of the Liechtenstein Bank's BPCs is expected to start over the counter in Zurich, Geneva and Basle as of November 20.

## NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Book Runner | Offer yield % |
|---|---|---|---|---|---|---|---|
| **U.S. DOLLARS** | | | | | | | |
| Sankyo Aluminium ¶‡ | 40 | 1991 | 5 | 3¾ | 100 | Daiwa Europe | 3.750 |
| Toyo Aluminium ¶‡ | 35 | 1991 | 5 | 3¾ | 100 | Yamaichi Int. (Eur.) | 3.750 |
| Town Real Estate ¶‡ | 40 | 1991 | 5 | 3¾ | 100 | Nomura Int. | 3.750 |
| Toshiba Ceramics ¶ | 70 | 1991 | 5 | (3¾) | 100 | Nomura Int. | * |
| Magna Int. § | 75 | 1993 | 7 | (6½–7) | 100 | CSFB | – |
| Japan Air Lines ‡ | 100 | 1996 | 10 | 8⅛ | 101⅛ | Nippon Credit Int. | 7.984 |
| Robert Fleming (a)†‡ | 100 | Perp. | – | ½ | 100 | CSFB | – |
| Dai-Ichi Kangyo Bk ‡ | 100 | 1991 | 5 | 7¾ | 101¾ | Chemical Bank Int. | 7.328 |
| Denmark ‡ | 1bn | 1988 | 2 | 7 | 101½ | Shearson Lehman Bros. | 6.190 |
| Asian Dev. Bank ‡ | 100 | 1995 | 10 | 8 | 100⅞ | Deutsche Bk Cap. Mkts | 7.870 |
| Oxford Acc. Corp II (d)†‡ | 45 | 1993 | 7 | ⅛ | 100 | Kidder Peabody | – |
| Georgia Fed. Bank (e)†‡ | 200 | 1996 | 10 | 3/16 | 100 | Salomon Brothers | – |
| Noritz Corp. ¶ | 30 | 1991 | 5 | (3¾) | 100 | New Japan Secs. | * |
| Mitsubishi Fin. (HK) ‡ | 100 | 1993 | 7 | 7⅜ | 101 | Mitsubishi Fin. Int. | 7.185 |
| Sodick Co. ¶ | 40 | 1991 | 5 | (3¾) | (100) | Nomura Int. | * |
| **CANADIAN DOLLARS** | | | | | | | |
| British Columbia ‡ | 150 | 1996 | (f) | 9⅛ | 101⅛ | SBCI | 9.028 |
| **AUSTRALIAN DOLLARS** | | | | | | | |
| Victorian Pub. Ath. Fin. ‡ | 50 | 1991 | 5 | 14¼ | 100⅝ | Orion Royal Bank | 14.031 |
| IKB Finance ‡ | 40 | 1991 | 5 | 14 | 101⅛ | Bankers Trust Int. | 13.838 |
| Landesbank Stuttgart ‡ | 35 | 1991 | 5 | 14 | 101¼ | Hambros Bank | 13.839 |
| Pierson Heldring P. ‡ | 40 | 1989 | 3 | 14⅛ | 101⅛ | Pierson Heldring P. | 13.801 |
| **NEW ZEALAND DOLLARS** | | | | | | | |
| Coca Cola Fin. Corp. ‡ | 75 | 1989 | 2¾ | 18 | 101⅛ | Morgan Guaranty | 15.318 |
| **D-MARKS** | | | | | | | |
| Maruyama Mot. ¶‡ | 40 | 1991 | 5 | 2½ | 100 | Commerzbank | 2.500 |
| Ireland ‡ | 300 | 1993 | 7 | 6⅝ | 100 | Commerzbank | 6.625 |
| Eurofima ‡ | 300 | 1994 | 7 | (c) | (c) | Deutsche Bank | – |
| **SWISS FRANCS** | | | | | | | |
| Tate & Lyle ¶‡ | 140 | 1993 | – | 4 | 100 | Lloyds Bank | 4.000 |
| FAI Fin. Services ‡ | 200 max. | 2001 | – | 6 | 100 | Soditic | 6.000 |
| Sankyo Aluminium **§‡ | 50 | 1992 | – | 1¼ | 100 | B.della Svizz. Italiana | 1.254 |
| Tsuzuki Denki Kogyo **¶ | 60 | 1991 | – | (2⅝) | 100 | Crédit Suisse | * |
| First City Fin. ‡ | 100 max. | 1994 | – | 6 | 100 | Soditic | 6.000 |
| American Ex. Bank ‡ | 200 | 1996 | – | 5 | 100 | Shearson Lehman Amex | 5.000 |
| Bayerische Vereinsbk ‡ | 100 | 1996 | – | 4¾ | 100 | Wirtschafts- und Privatbk | 4.750 |
| Toyo Radiator Co. **¶ | 45 | 1993 | – | (2¾) | 100 | Swiss Volksbank | – |
| Aluminium Co. Canada ‡ | 170 | 2003 | – | 5⅜ | 100 | SBC | 5.375 |
| Nippon Denko Co. **¶ | 50 | 1991 | – | (2⅝) | * | UBS | * |
| EIB ‡ | 175 | 2001 | – | 5⅛ | 100 | SBC | 5.125 |
| Kansallis-Osake-P. | 100 | 1994 | – | (5) | * | Nordfinanz-Bank | * |
| Yamaha Motor Int. **‡ | 100 | 1991 | – | 4⅞ | 100 | UBS | 4.875 |
| Deutsche Girozentrale ‡ | 125 | 1996 | – | 4¾ | 100 | SBC | 4.750 |
| Japan Credit Bureau **‡ | 20 | 1991 | – | 4⅞ | 100 | Crédit Suisse | 4.875 |
| Arai-Gumi **¶ | 30 | 1991 | – | (2⅝) | * | Crédit Suisse | * |
| Deutsche Bk (A'tralia) **‡ | 167 | 1996 | – | 4¾ | 99¾ | UBS | 4.782 |
| Yokohama Rubber **‡ | 100 | 1993 | – | 5 | 100 | Bqe Paribas (Suisse) | 5.000 |
| Wuert. Landesbank ‡ | 100 | 1997 | – | 4¾ | 100 | SBC | 4.750 |
| **FRENCH FRANCS** | | | | | | | |
| Denmark ‡ | 1bn | 1991 | 5 | 8½ | 99¾ | Crédit Lyonnais | 8.190 |
| **LUXEMBOURG FRANCS** | | | | | | | |
| SEK **‡ | 300 | 1993 | 7 | 7⅜ | 99¾ | BGL | 7.422 |
| Crédit Lyonnais ‡ | 600 | 1993 | 7 | 7 | 100¼ | BIL | 6.954 |
| Funen Telephone **‡ | 300 | 1992 | 6 | 7½ | 100¼ | Kredietbank Int. | 7.447 |
| **GUILDERS** | | | | | | | |
| Comm'wealth Australia ‡ | 400 | 1996 | 8 | 6½ | 100 | Amro | 6.500 |
| **ECUs** | | | | | | | |
| EIB ‡ | 100 | 1991 | 5 | 7⅜ | 100½ | Deutsche Bank | 7.252 |
| Mort. Bk of Finland ‡ | 50 | 1992 | 6 | 7¾ | 101⅛ | Morgan Guaranty | 7.495 |
| EEC ‡ | 50 | 1991 | 5 | 7⅜ | 100¼ | BGL | 7.314 |
| Inv. in Industry ‡ | 50 | 1993 | 7 | 7⅞ | 101⅜ | Warburg Secs. | 7.614 |
| **SWEDISH KRONOR** | | | | | | | |
| World Bank ‡ | 300 | 1993 | 7 | 9.8 | 100 | PKbanken | 9.800 |
| **YEN** | | | | | | | |
| State Bk of Victoria ‡ | 20bn | 1991 | 5 | (b) | 100½ | Nikko Secs. (Europe) | – |
| Oest. Elektrizitats ‡ | 10bn | 1993 | 7 | 5¾ | 101½ | Yamaichi Int. (Eur) | 5.496 |
| New Zealand ‡ | 40bn | 1991 | 5 | 5½ | 101⅛ | Nomura Int. | 5.236 |
| Union Bk of Finland ‡ | 16bn | 1992 | 6 | 5¾ | 101½ | Sumitomo Fin. Int. | 5.490 |
| Ireland ‡ | 20bn | 1998 | 12 | 6.2 | 99.5 | Daiwa Secs. | 6.248 |
| Aegon NV ‖‡ | 5bn | 1991 | 5 | 7 | 101⅜ | Sumitomo Trust Int. | – |

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ⌀ With bond warrants. ‖ Currency-linked. (a) ½ over 6m Libor. (b) "Stepped up" coupon. (c) Bull-bear issue; coupon 2⅝ until Jan. 1988 at 100, 8⅝% thereafter – redemption price linked to FAZ index. (d) ⅛ over 6m Libor. (e) 3/16 over 6m Libor. (f) Extendible to 1994 with coupon refixed. Note: Yields are calculated on AIBD basis.

# Mowlem on verge of major bid

John Mowlem, the construction and contracting company, is believed to be on the verge of a major take-over bid which would enable it to put its land bank to better use.

Industry experts expect that in the next few days, Mr Philip Beck, Mowlem's chairman, will unveil a £60m hostile take-over bid.

Also expected is a profit forecast which will better the £28m predicted for 1986 by most analysts. In 1985, Mowlem reported pre-tax profits of £13.1m.

Mowlem's conservatively valued land bank is believed to have expanded considerably after the £160m acquisition of SGB, the scaffolding group, last spring. The planned transaction is believed to be aimed at capitalising on this underrated asset.

## C. E. Heath urges bid rejection

C. E. Heath, the insurance broking group, yesterday urged shareholders to reject a hostile takeover bid from rival broker PWS Holdings, which it believed would result in "large scale staff defactions," and support instead its proposed merger with Fielding Insurance.

Shareholders will vote on Friday whether to support the deal with Fielding. Mr Derek Newton, chairman of Heath, said in a letter to investors that Fielding had experienced executive management in depth, while the PWS team had been working together for only a few months and lacked significant experience in handling areas of activity, which last year produced over 40 per cent of Heath's aggregate brokerage.

## Leisure Invests. £5.25m rights

Leisure Investments, USM operator of amusement centres and snooker clubs, is raising up to £5.25m net through an underwritten rights issue of 7 per cent convertible redeemable preference shares on the basis of one for every four ordinary.

Proceeds will be used towards repayment of the £2.9m borrowed to buy the premises in Oxford Street, W (total cost £2.5m) and four freehold and two leasehold properties in Brighton (£1m).

The company will be applying to the Stock Exchange for a full listing of both classes of capital.

The year had started well and the directors were working on a number of "exciting new opportunities."

# Geest forecasts £8.8m profit at year-end

By Richard Tomkins

Geest, the fruit and vegetable supplier best known as a banana importer to the UK, today publishes the prospectus for an offer for sale which will transform it from one of Britain's largest private companies into a publicly quoted group with a market capitalisation of nearly £82m.

There are three divisions to the group. The largest is fresh produce, but there is also a rapidly growing food preparation division which supplies chilled convenience foods to supermarket chains and a horticultural division which supplies bulbs, plants and nursery stock to the gardening market.

Pre-tax profits of £8.8m are forecast for the year to December 1986, compared with £6.6m last year, and 25.6m shares—40 per cent of the equity—on sale at 125p a share, the prospective price/earnings multiple is 12.75.

Hambros Bank is sponsoring the flotation and Cazenove is the stockbroker. Of the £32m being raised, £23m will go to existing shareholders (mostly the Geest family) and £7.9m after expenses to the company.

● **comment**

Geest and Brake Brothers may not be strictly comparable, but both are family businesses which have grown big on filling the nation's stomach, so it is not irrelevant to note that Brake ended its first-day dealings last Wednesday at a 22 per cent premium to its offer price. Geest's p/e of 12.75 compares with 13.4 for Brake and few last week regarded Geest's multiple as in any way demanding: more, indeed, thought it cheap enough to suggest that Cazenove, after more than one embarrassing hiccup with new issues this year, had insisted on a price which would ensure success. It is hard to see how the issue will prove otherwise. Geest may not be the most exciting food distributor on earth and its horticultural division has an uninspiring record, but it has invested heavily in meeting the rising demands of multiples for fresh produce and there is ample scope for growth in its food preparation division, especially if acquisitions can be achieved. Market conditions permitting, then, the buying should be strong.

## BOARD MEETINGS

TODAY

Interims: N. Brown Investments, InfraRed Associates, Ivory and Sime, London Securities, S & U Stores, Volex.

Finals: Australia and New Zealand Banking, Concentric, Diploma, MMT Computing, SAC International, St Ives, Share Drug Stores, TMD Advertising.

**Martin Dickson** on the new chief executive at one of Britain's most acquisitive groups

# The heir to the BTR empire

TWO OF the City's favourite guessing games over the past year have centred on BTR, the industrial holding company which, under the leadership of Sir Owen Green, has been built up over the past 20 years into one of Britain's biggest and most acquisitive groups.

What takeover victim will BTR pounce on next? And who will become chief executive in place of 61-year-old Sir Owen, who made clear months ago that he was planning to hand over the job to a successor?

The answer to the first question remains a tantalising unknown. The latest of many favourites thrown up by the City rumour mill is Pilkington Brothers, the glass manufacturer, but, whatever the target, the indications are that BTR is readying itself for a swoop.

The answer to the second became clear last week when the company announced that Mr John Cahill, currently head of its operations in North and South America, is to become chief executive on January 1, while Sir Owen will remain as chairman and "continue to guide the group's strategic direction."

So who is Mr Cahill and how much will he change BTR? Aged 56, he is a tall, slim man with a relaxed and open manner. He also has a worthy maxim—eg "We are a sell (ideas) company, not a tell company"—which perhaps reflects both his American experience and BTR's passion for the communication of simple ideas down the line.

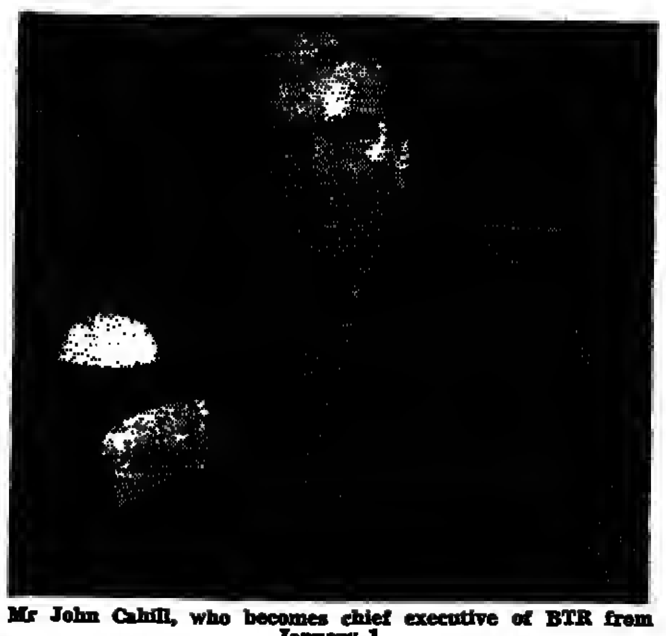
The son of a City businessman, he spent the early years of his career as a London stockbroker before switching to industry. After a brief spell as a fancy goods salesman, he joined the then very modest British Tyre & Rubber Company in 1955 as a trainee sales representative.

A succession of management posts followed, including a spell setting up a small Canadian operation, which gave him a taste for North America. Then, in 1967, Owen Green took over as chief executive of the then ailing BTR, and Mr Cahill was one of three senior managers, all in their thirties, whom he chose to help him turn the business around and give it a new strategic direction. All but one of them are still there.

The result is one of the most remarkable growth stories in British industry over the past two decades. BTR has become a business with a £5bn market capitalisation, swallowing along the way big targets such as conglomerate Thomas Tilling (1983) and Dunlop Holdings, the rubber products group (1985). In the past 10 years, pre-tax profits have grown from £24m to £362m and analysts are forecasting £460m-£475m for 1986.

Each member of the Green team was given responsibility for a particular field of acquisitions and Mr Cahill homed in on the US, where the group had virtually no interests.

In 1976, it made its first American acquisition—£15.5m for SW Industries, a manufacturer of paper industry equipment bought in large measure for its excellent management. Mr Cahill went to the US to oversee the new operation. He has been there ever since, building up the Western hemisphere in a division which last year accounted for £137m of pre-tax profits, 37 per cent of BTR's total.



Mr John Cahill, who becomes chief executive of BTR from January 1.

There have been several acquisitions along the way—Worcester Controls, a valve manufacturer, and Huyck, another paper industry equipment supplier—while the acquisition of the UK's Thomas Tilling brought in $800m of US sales, mostly in the distribution of electrical, medical and building supplies.

The manner in which these businesses were identified and integrated provides a good example of the wider management techniques behind BTR's growth.

First, says Mr Cahill, BTR is a very conservative, safety first company which carefully identifies and compiles dossiers on potential bid targets long before it pounces. "SW had lusted after Huyck for a decade before it hit a fat patch and the opportunity came."

Second, the strategy laid down by Sir Owen back in the 1960s is to expand by contiguity—taking over businesses in related areas to the ones BTR is already in, and which it understands.

Third, there is a major delegation of authority to managers down the line. "In every company we've bought," he says, "we've found excellent middle management. You won't find BTR people in there." Mr Cahill himself is virtually the only Briton in the US operation and he is handing his job over to an American, Mr Edgar Sharp.

This delegation is coupled with very strong financial disciplines and ratio monitoring from the centre and great emphasis on communication: "Success," says Mr Cahill, "stems from setting out in clear and simple terms what your aims are."

He does not expect his arrival back in BTR's ostentatiously austere London headquarters to signal any change of the group's direction.

Sir Owen, while moving his office to a building across the road, will "continue to give leadership at the strategy level, and very much in the acquisitions field. As the years have gone by he has left more of the running of the business to subordinates, so you won't see that big a change."

And while another of the original four-man strategy team is leaving next year—finance director Mr Norman Ireland—he will be replaced by Mr Barry Romeril, a 42-year-old who joined BTR last year from ICI and has spent time working with Mr Cahill in the US.

As for acquisitions, he acknowledges that BTR's balance sheet—which was only 18 per cent geared at the close of last year and must now be much lower—has "too much cash in it."

But, in a message to the City investors who have been getting impatient at the lack of bid activity, he says: "We're not buying companies to strip them, but to grow them." And that means BTR has not wanted to move on until it has sorted out Dunlop, its last big buy.

That task, however, is now complete—"a super acquisition," says Mr Cahill—so it seems unlikely to be long before BTR pounces on a fresh victim.

## COMPANY NEWS IN BRIEF

LUCAS INDUSTRIES is considaring an acquisition in the US for its aerospace division which could cost in the region of £100m, chairman Sir Godfrey Messervy said last night on Channel 4's The Business Programme. Lucas has made no secret of its plans for a US purchase but it is thought to be the first time it has put a rough figure on a deal.

NEW COURT TRUST: Final dividend 11p (10.125p) making 15.7p (14.25p). Net asset value per share 595p (491p).

HAMBROS INVESTMENT Trust: Interim dividend 1.2p (same). Net asset value per share 260.5p (259.1p).

CLYDE BLOWERS (manufacturer of steam and soot-blowing equipment): Final dividend increased from 5.99315p to 6.32315p nat for a total of 7.1499p (6.82p) for year to March 31 1986. Turnover £3.33m (£3.38m) and pre-tax profits £240,888 (£218,380), including income from investments £161,279 (£187,630). Tax took £68,266 (£32,735). Stated earnings per 25p share 17.3p (18.6p).

SCOTT'S RESTAURANT: Dividend 3.3p (same). Turnover for 1985 was £6.74m (£4.03m) and pre-tax profit £350,000 (£187,000). Net profit £194,000 (£173,000) after tax of £156,000 (£14,000). Stated net earnings per 12½p share were 28.41p (34.39p).

PLANTATION TRUST—Total earnings for half year ended September 30 1986 came to £182,000 (£245,000). After interest paid £131,000 (£137,000) and tax £15,000 (£39,000), net revenue £35,000 (£69,000) for earnings of 0.51p (0.99p) per share. In 1985 period company had substantial income from gilts awaiting investment in equities. At March 31 1986 net asset value was 88.65p after conversion of loan stock and exercise of warrants; by September 30 it was 89.41p and by end October 95.5p.

HOWARD AND WYNDHAM (publisher and retail jeweller). Attributable loss for half year ended June 30 1986 was £157,000 (£94,000), after tax credit £48,000 (charge £11,000). Loss per share 0.9p (same). For year 1985 profit was £65,000 before tax £147,000.

LONDON ENTERTAINMENTS (theatre production and management): Dividend 2.5p (2.33p) and stated earnings per 20p share 6.2p (3.54p) year ended August 31 1986. Pre-tax profits £289,291 (£186,276); tax provision £61,717 (£56,450).

...vestment Trust: Earnings for six months ended September came to 0.35p (0.86p) and interim dividend held at 0.75p nat. Revenue should improve in second half and intended to at least hold final at 1.75p. Profit for period £115,000 (£152,00) subject to tax £80,000 (£66,000). Net asset value 178.1p (138.9p) per share.

## FT Share Information

The following securities have been added to the Share Information Service.

Great Southern Group (Section: Industrials)

London & Gartmore Warrants (Investment Trusts)

News Corp (Newspapers)

Pilkington Bros Warrants (Industrials)

Utd Trust & Credit Warrants (Trust, Finance Land)

## PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

| | Date | Announcement last year |
|---|---|---|
| *ANZ | Nov 17 | Final 19 cts |
| Assoc Paper Inds | Dec 11 | Final 4.0 |
| *Avana | Nov 19 | Interim 5.0 |
| *BET | Nov 20 | Interim 4.0 |
| BOC | Dec 4 | Final 5.63 |
| *BT | Dec 11 | Interim 3.0 |
| *BPB Inds | Nov 27 | Interim 3.5 |
| *Bass | Dec 4 | Final 11.0 |
| Bassett | Nov 26 | Interim 1.78 |
| *Beecham | Nov 20 | Interim 6.1 |
| *Boots | Nov 20 | Interim 2.5 |
| *Burton | Nov 20 | Final 6.3 |
| *Cable and Wireless | Nov 20 | Interim 3.5 |
| Charter Cons | Dec 11 | Interim 3.75 |
| *Chloride | Nov 20 | Interim due |
| Chrysalis | Dec 5 | Final 3.96 |
| *Courtaulds | Nov 28 | Interim 1.75 |
| *Dawson Intl | Nov 27 | Interim 1.7 |
| Dee Corp | Dec 5 | Interim 2.8 |
| Dobson Park | Dec 8 | Final 3.31 |
| *EMAP | Nov 25 | Interim 1.2 |
| *Elliott (B.) | Nov 19 | Interim 1.0 |
| English China Clays | Dec 12 | Final 7.0 |
| Extel | Nov 21 | Interim 2.0 |
| *Fenner (J. H.) | Nov 25 | Final 3.0 |
| *Ferranti | Nov 28 | Interim 0.55 |
| GEC | Dec 3 | Interim 1.4 |
| Granada | Dec 11 | Final 4.57 |
| *Grand Metropolitan | Dec 19 | Final 6.0 |
| *Greenall Whitley | Dec 2 | Final 2.853 |
| GUS | Dec 12 | Intrim 7.0 |
| Greycoat | Dec 12 | Interim 0.95 |
| *Hall (M.) | Nov 27 | Interim 1.5 |
| Hanson Trust | Dec 9 | Final 2.85 |
| *Hazlewood Foods | Nov 20 | Interim 4.0 |
| Heath (C. E.) | Nov 18 | Interim 7.0 |
| *Johnson Matthey | Dec 4 | Interim 0.5 |
| *Kwik Save | Nov 26 | Final 3.4 |
| *London Intl | Nov 18 | Interim 1.5 |
| London Merchant Securities | Dec 19 | Interim 0.75 |
| *MEPC | Nov 28 | Final 8.0 |
| Metal Box | Nov 18 | Interim 6.1 |
| *Meyer Intl | Dec 9 | Intrim 1.85 |
| Norcros | Dec 10 | Interim 2.8 |
| *Northern Foods | Dec 9 | Interim 4.25 |
| *Pilkington Bros | Dec 11 | Interim 5.0 |
| Polly Peck | Dec 2 | Final 3.75 |
| *Powell Duffryn | Nov 25 | Interim 4.5 |
| *RHM | Nov 18 | Final 3.45 |
| RHP | Dec 12 | Final 2.8 |
| *Rothmans | Nov 21 | Interim due |
| Rothschild (J) | Dec 17 | Interim 2.2 |
| Royal Bank Scotland | Nov 28 | Final 6.0 |
| Saatchi and Saatchi | Dec 4 | Final 8.71 |
| Siebe | Dec 19 | Interim 4.08 |
| *600 Group | Dec 4 | Interim 2.34 |
| Smith and Nephew | Dec 5 | Interim 1.4 |
| *Sketchley | Nov 19 | Final 3.0 |
| Stakis | Dec 11 | Final 0.8 |
| Tate and Lyle | Dec 11 | Final 14.5 |
| Trafalgar House | Dec 2 | Final 6.1 |
| *Unigate | Nov 24 | Interim 3.45 |
| *Vaux | Dec 8 | Final 7.321 |
| Wheeson | Dec 12 | Final 3.0 |
| *Whitbread | Nov 19 | Interim 2.25 |
| Wolverhampton & Dudley Brew | Dec 9 | Interim 5.7 |

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.



## FINANCIAL TIMES STOCK INDICES

| | Nov. 14 | Nov. 13 | Nov. 12 | Nov. 11 | Nov. 10 | Nov. 7 | 1986 High | 1986 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs. | 81.38 | 81.04 | 81.70 | 82.15 | 82.58 | 82.58 | 94.51 | 80.39 | 127.4 | 49.18 |
| Fixed Interest | 88.54 | 88.46 | 88.85 | 88.93 | 89.04 | 89.02 | 97.68 | 86.55 | 150.4 | 50.53 |
| Ordinary | 1293.2 | 1295.7 | 1305.1 | 1311.7 | 1333.3 | 1317.2 | 1425.9 | 1094.3 | 1425.9 | 49.4 |
| Gold Mines | 325.1 | 328.5 | 316.6 | 309.1 | 304.2 | 300.1 | 357.8 | 185.7 | 734.7 | 43.5 |
| FT-Act All Share | 816.06 | 815.85 | 820.86 | 822.52 | 830.36 | 822.25 | 832.39 | 664.42 | 832.39 | 61.92 |
| FT-SE 100 | 1644.3 | 1644.6 | 1654.5 | 1660.9 | 1656.2 | 1662.6 | 1717.6 | 1370.1 | 1717.6 | 986.9 |

I.G. INDEX

FT for November

1,283-1,289 (−5)

Tel: 01-828 5699

# CONSTRUCTION CONTRACTS

## Matthew Hall wins £22m orders

MATTHEW HALL MECHANICAL & ELECTRICAL ENGINEERS, a Matthew Hall Group company, has been awarded contracts in a variety of development and refurbishment projects, totalling around £22m. They include work valued at £4.5m in three shopping centres—Victoria Place, SW1; Elephant and Castle, SE1, and Wigan, Greater Manchester.

Mechanical and electrical services for commercial buildings contributes a further £14m, in projects for Sun Alliance, Horsham; Eagle Star at Cheltenham and Wood Street, EC2; St Martin's Property, Swindon; MEPC, Farringdon Street, EC4; the Fenchurch Street Station office development for Norwich Union and the redevelopment of the London Pavilion, Piccadilly Circus, W1, for Grosvenor Square Properties and Kennedy Brooks Joint Venture.

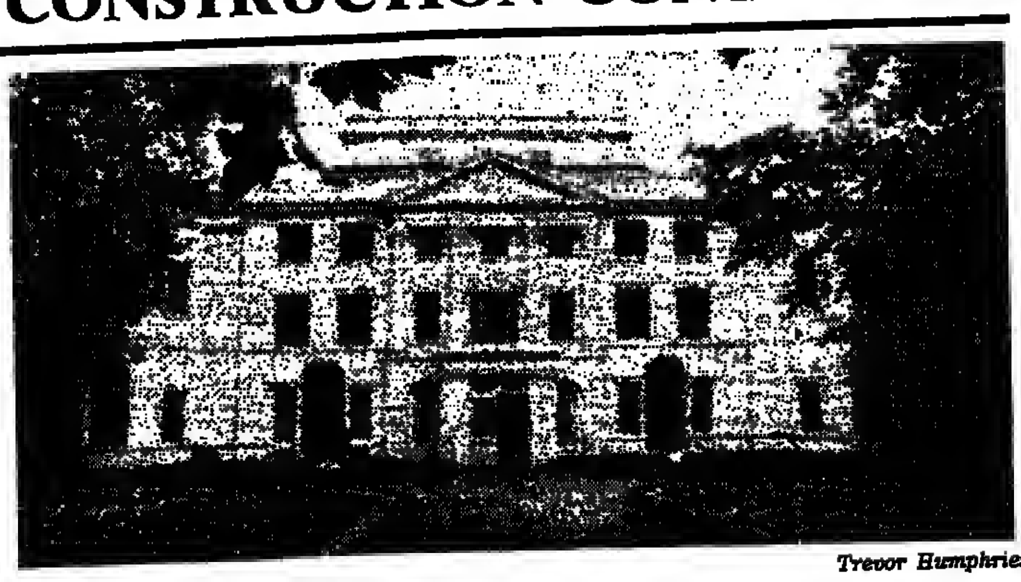
Industrial sector contracts amounting to £2.5m are for road and tunnel lighting associated with the North Terminal, Gatwick, and electrical, ventilation and fire engineering services for the Penmaenbach Tunnel, Conway.

Services for local authority housing schemes in London and other parts of the country represent £1.5m.

Several maintenance division contracts include the residential management, operation and maintenance of the air conditioning, heating, plumbing and other services at the South Bank Complex, SE1, comprising the Royal Festival Hall, Queen Elizabeth Hall, Purcell Room and the Hayward Gallery.

*

BIWATER TREATMENT has signed a contract with the East Surrey Water Company for the construction of a water treatment plant at Kenley in Surrey. The £7m contract has been awarded on a design, manage and construct basis. The works, which will provide 44m litres of treated drinking water every day, will use computer technology to make the plant full automatic. The plant will incorporate pellet-type water softeners and ENELCO filters. The project is scheduled for completion by summer 1988. Biwater Treatment is also constructing a water treatment plant for the East Surrey Water Company at Elmer in Surrey.



Trevor Humphries

## Renovating Crewe House for Saudis

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

Tarmac Construction is in the final stage of negotiations for a £12m to £15m contract to renovate the new Saudi Arabian Embassy in London, the grade two listed 18th-century Crewe House in Mayfair.

Crewe House is the former Thomas Tilling headquarters which Saudi Arabia purchased from Tilling's new owners, BTR, for £37m in 1984.

As one of London's most famous houses—it was at a dinner party in Crewe House hosted by Lady Crewe that Sir Winston Churchill met his future wife—its fate is being carefully watched by local planners, residents' associations and conservation groups.

One reason for the delay in the work has been the embassy's desire to conform with the requirements of local planners and listed buildings regulations in its new premises.

Once planning permission is awarded, the work will concentrate on restoring the house, originally built by Edward Shepherd in 1768.

"The famous front of Crewe House with with its bow windows and lawns will be restored, the porters' lodges and horseshoe carriage drive will be reinstated, and the existing boxy porch will be replaced with a Doric colonnaded portico," said architect Mr John Knight, of Michael Lisle and Partners.

"And we have a brief to reinstate the interior — which has been much despoiled over the years —to an appropriate plain English 18th century style with timber panelled rooms, a new staircase, and restored black and white marble floors."

The contract will also include refurbishing the 1960s building at the rear to make modern offices, as well as residential accommodation for the Embassy.

The Embassy is emphasising that the final contract has not yet been awarded, although Tarmac Construction has a letter of intent to carry out the works. The final budget is also still being negotiated.

Tarmac is currently working on a £9m project, building the Saudi Arabian school in London, the King Fahad Academy.

This has involved converting the 1960s built former Faraday Comprehensive in Ealing into separate upper and lower schools for boys and girls, and building a new kindergarten, mosque sports and assembly halls.

## Tunnel repairs under Dubai Creek

The BALFOUR BEATTY GROUP has been awarded contracts worth £16m. Heading the list is a contract valued at £11m awarded to Dutco Balfour Beatty in association with Balvac Whitley Moran and two Dutch companies, Volcker Stevin and BIM, for repairs and refurbishment to the Al Shindagha tunnel under Dubai Creek. The work is due for completion within 24 months. Balvac Whitley Moran and BIM will provide the specialist services relating to the repair works to the reinforced concrete structure, which is 942 metres long. The two carriageways are each 9.5 metres wide and 5.6 metres high, and the tunnel has a pedestrian subway and services tunnel integral with the main construction.

Balfour Beatty Construction has been awarded a £2.7m contract by the London Borough of Hillingdon for the construction of Hayes by-pass contract 3. The works include 1.1 km of dual carriageway in flexible construction, a pedestrian underpass, 1.24 km of a lined flood relief channel, a pedestrian bridge, drainage, fencing and services.

Humberside County Council has placed a £1.56m contract for the maintenance of the A63 Loughton by-pass near Hull. The work include a partial reconstruction and overlaying in flexible materials of 5 km of dual carriageway road, safety fencing, drainage, erection of signs, road markings and the traffic management works.

Midland Bank has placed a £450,000 contract for refurbishment of its central Middlesbrough branch. The work includes a design introducing a strong continental influence. This is the first branch refurbishment which will pioneer a new style for the bank. Also in Middlesbrough is a contract for a supermarket fitout for Gold Quill Developments. The contract, valued at £210,000 will be completed in 12 weeks.

Dutton Forshaw has placed a £550,000 design and construct contract for a garage and showrooms at Preston. The building will be steel-rimmed, octagonal in plan. Offices and workshops will also be constructed. Other work includes a contract, worth £300,000 from the Norwich Union Insurance Group to refurbish Revenue House in Sheffield. The contract includes repairs to the external walls to be undertaken by Balvac Whitley Moran. Repairs to windows, installation of mechanical and electrical services and suspended ceilings will be undertaken by Balfour Beatty's central building unit.

# DIARY DATES

## Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Gent (S.R.), Painters Hall, Little Trinity Lane, EC, 12.00
Tod. Whim Hert Hotel, Salisbury, 12.15

BOARD MEETINGS—
Finals:
Australia and New Zealand Banking
Concentric
Diploma
MMT Computing
SAC Intnl
St Ives
Share Drug Stores
TMD Advertising
Interims:
Brown (N.) Invs
InfraRed Associates
Ivory and Sime
London Secs
S and U Stores
Volex

DIVIDEND & INTEREST PAYMENTS—
Arcolectric 0.25p
Do A N-Vtg 0.25p
Asset Tst 1p
S.A.T. Intnl Fin 7¾pcGtdBds 1987 3¾pc
British Syphon Inds 1.67p
CCA Galleries 0.8p
Campari Intl 0.5p
Canadian Pacific Secs 17¾pcGtdNts 1987 8⅞pc
Christiania Bank OG Kreditkasse Senior Fltg Rate Nts 1995 $542.5
City Fed Fin Corp 10cts
Clarke, Nickolls & Coombs 2.1p
Combined Intnl Corp 56cts
Commercial Union Assurance 5.2p
Electricite de France 11¼pcGtdSerLn 2009/12 5⅞pc
Exco Intnl 2.4p
Homestake Mining 5cts
ICI 5pcCumPrf 1.5425p
Kwahu 1.4p
Liberty 1.8p
Do N-Vtg 1.5p
London Manchester Group 2.343p
Low & Bonar 3.5p
Minet Hldgs 3.43p
Morley (R.H.) 1.75p
Newcastle & Gateshead Water 7pcMax Cons 0.035p
Do 4.9pc Max Cons (1076) 2.45p
Do 4.9pc Max Cons (1698) 2.45p
Do 4.2pc Max 2.1p
Do 3.5pc Cons Prf 1.75p
Do 2.45pc Perp Prf 1.225p
Ne-Swift Inds 1.75p
Process Systems (K Reg) 25cts
Do (US Reg) 25cts
Renishaw 1.5p
Richards (Leicester) 1.5p
Royal Bank of Canada Fltg Rate Debs 2005 $5.44270S
Sandhurst Marketing 0.389p
Standard Chartered Sub Fltg Rate Nts 1996 £127.64
TR Ind & GenTst 3½pcDbRed 1¾pc
Treasury 9pcLn 1994 4½pc
Warner Communications 7.5cts
Wells Fargo Fltg Rate Sub Ntsc 2000 $55

TOMORROW

COMPANY MEETINGS—
Peachey Property, 19 Sloane Street, SW, 12.00

BOARD MEETINGS—
Finals:
Moran Tea
Oceana Cons
Williamson Tea
Interims:
Abbey crest
Elliott (B.)
London Intnl
MK Elec
Scottish Cities Inv Tst
Thames TV
WCRS
Young and Co's Brewery

DIVIDEND & INTEREST PAYMENTS—
British & American Film 1.9p
Jerome (S.) 1.3p
Ruberoid 2.4p
Sanderson Murray & Elder 4.5p
Systems Designers 0.2p
Throgmorton Secured Growth 3.25p
Treasury 10pc 2004 5pc

WEDNESDAY NOVEMBER 19

COMPANY MEETINGS—
Barratt Developments, Connaught Rooms, Great Queen Street, WC, 10.30
G.R. Hldgs, Chartered Accountants Hall, Moorgate Place, EC, 12.00

BOARD MEETINGS—
Finals:
Aust Inv Tst
Ranks Hovis McDougall
Interims:
Avana
Slack Arrow
Electra Inv Tst
Jersey Gen Inv Tst
Lewmar
Sketchley
Warnford Invs
Whitbread

DIVIDEND & INTEREST PAYMENTS—
Boot (Henry) 3p
Citicorp Overseas Finance GtdFltgRateNts 1991 £123.66
Combined English Stores 3p
Commerzbank Overseas Finance Fltg Rate Nts 1995 $511.11
European Asian Capital GtdFltgRateNts 1992 $367.36
Minerals & Resources 18cts
Peachey Property 5.5p
Weir Group 1p
Woolwich Equitable Bldg Society Fltg Rate Ln Nts 1995 £250.48

THURSDAY NOVEMBER 20

COMPANY MEETINGS—
Courtney Pope, Amhurst Park Works, South Tottenham, N, 11.00
Druck Hldgs, Grand Hotel, Granby Street, Leicester, 12.00
Galliford, Post House, Crick, 12.15
HTV Group, Culverhouse Cross, Cardiff, 12.30
Ramus Hldgs, Palace Road, N, 12.00
Sinclair (William), Moat House Hotel, Thorpe Wood, Peterborough, 2.30
Tottenham Hotspur, Tottenham Hotspur FC, N, 11.00

BOARD MEETINGS—
Finals:
Burton
Hogime
Interims:
BET
Beecham
Boots
Brown Shipley
Cable and Wireless
Checkpoint Europe
Chloride
DOT
Fulcrum Inv Tst
Hazlewood Foods
Premier Grp
Scanatronic
Walker and Staff
Witan Invs

DIVIDEND & INTEREST PAYMENTS—
Allied Irish Banks UndFltgRateNts $376.94
Banco Nacional De Mexico FltgRateCapNts 1987 $38.01
Barratt Devs 5.81p
Birmingham District Council 13½pc 1988 6¾pc
Caterpillar 12.5cts
Courtney, Pope 6.5p
Dunton Group 0.24p
Ealing Electro-Optics 0.7p
Exchequer 12pc 1998 6pc
Halifax Bldg Society Fltg Rate Ln Nts 1996 £125.24
Ind Finance & Inv Corp 0.5p
Kleinwort Benson Finance GtdFltgRate Nts 1991 $82.26
Lloydstrust Gilt PtgRedPrf 29p
Morgan (J.P.) Intnl Finance GtdFltgRate Nts 1007 $182.92
Oriflame Intnl (Reg UK) 11p
Do (Reg Lux) 11p
Do (Sr) 11p
Portugal (Republic of) 9pcLn 2016 £2.45
Premier Group FltgRateNts 1989 $359.38
Security Pacific 37cts
Stewart & Wight 27.5p
TSB Currency PtgRedPrf 4.5p
TSB Gilt Ptg 3p
Treasury 2½pc IL Cnv 1999 £1.5352
Treasury 2½pc IL 2009 £1.5352
Wayne Kerr 0.6p

FRIDAY NOVEMBER 21

COMPANY MEETINGS—
Bajam Group, Butchers Hall, 87 Bartholomew Close, EC, 12.00
Dalgety, Centre Point, 103 New Oxford Street, WC, 11.30
Lyles (S.), Wakefield Post House Hotel, Queens Drive, Ossett, 12.00
Shandwick, 50 Upper Brook Street, W, 11.30

BOARD MEETINGS—
Finals:
Bertrams Inv Tst
British Empire Secs and Gen Tst
Tyzack Turner
Interims:
Ocean Wilsons
Personal Assets Tst
Rothmans Intnl
Somic

DIVIDEND & INTEREST PAYMENTS—
Aberdeen Construction 2.4p
Abingworth 1.25p
Adwest Group 8.83p
Arbuthnot Japan Growth PtgRedPrf 0.25p
BAT Inds 5.8p
BTR 3.5p
Baker Intnl 8.5cts
Bank of Tokyo (Curacao) GtdFltgRateNts 1990 £126.45
Commerzbank Overseas Finance FltgRate Nts 1089 $158.13
Cray Electronics 2.954p
De Brett (Andre) 0.25p
Delaney Group 0.9p
Dewhirst (I.J.) 0.26p
Evered Hldgs 1.75p
Exchequer 2½pc 1986 1¼pc
Expamet Intnl 2.7p
Export-Import Bank of Korea FltgRateNts 1994 $380.14
First Chicago Overseas Finance GtdFltgRate SubNts 1994 $162.92
Galliford 3.8p
HTV Group 5.7p
Hughes Tool 11.5cts
Iceland Frozen Foods 2.5p
Jacks (William) 0.6p
Jamesons Chocolates 2p
Kalon Group 0.46p
Laing Properties 3.5p
Lloyds Bank Prim CapUndFltgRateNts $162.92
Mackay (Hugh) 1.5p
Malakoff Berhad 10sen
Memec 0.9p
Morgan Grenfell 3.5p
Security Pacific FltgRateSubCapNts 1997 $157.6
Smith Whitworth 0.25p
Sutherland (E.T.) 1.46p
Treasury 12½pc 2003/05 6¼pc

SATURDAY NOVEMBER 22

DIVIDEND & INTEREST PAYMENTS—
Conversion 10¼pc 1999 5⅛pc
European Inv Bank 10¼pcLn 2004 5⅛pc
Exchequer 2½pc 1990 1¼pc
Treasury 14pc 1998/2001 7pc
Treasury 2½pc IL Cnv 1999 £1.4772

SUNDAY NOVEMBER 23

DIVIDEND & INTEREST PAYMENTS—
Sunderland (Borough of) 11¾pcRd 2008 5⅞pc
Trinidad & Tobago (Republic of) 12¼pcLn 2009 6⅛pc

## Parliament

TODAY

Commons: Debate on the Queen's Speech.

Lords: Debate on the Queen's Speech—foreign affairs and defence.

Select committees: Environment—subject: Property Services Agency. Witnesses: PSA officials (Room 20, 4.30 pm). Public Accounts—subject: efficiency of the nationalised industries. Witnesses: Sir Brian Hayes, DTI and Sir Godfrey Le Quesne, Monopolies and Mergers Commission (Room 16, 4.45 pm). Treasury and Civil Service—subject: Autumn statement. Witnesses: Treasury officials. (Room 8, 4.45 pm).

TOMORROW

Commons: Debate on the Queen's Speech.

Lords: Queen's Speech debate — home affairs and the environment.

Select committees: Education, Science and the Arts—subject: student awards. Witnesses: National Association of Teachers in Further and Higher Education; Association of County Councils; Association of Metropolitan Authorities (Room 15, 10 am). Foreign Affairs—subject: situation in Cyprus. Witness: H. E. Rauf Denktash (Room 16, 4.30 pm). Parliamentary Commission for Administration — subject: reports of the Health Service Commissioner, 1985-86. Witnesses: Mr Anthony Barrowclough and Mr Gordon Marsh (Room 8, 4.30 pm).

WEDNESDAY

Commons: Conclusion of Debate on the Queen's Speech.

Lords: Debate on the Queen's Speech — economic affairs and unemployment.

Select committees: Energy—subject: electricity supply industry reports and accounts. Witnesses: East Midlands Electricity Board; Yorkshire Electricity Board (Room 8 11 am). Public Accounts—subject: Sponsorship on non-departmental public bodies. Witness: Mr T. Heiser, DoE; Mr J. Wheatley, Sports Council (Room 16, 4.15 pm). Social Services—subject: primary health care. Witnesses: Society of Administrators of Family Practitioner Services; British Dental Association (Room 21, 4.15 pm).

THURSDAY

Commons: Debate on the report of the committee on BBC financing, chaired by Professor Alan Peacock.

Lords: Debate on the report of the EEC on nuclear power in Europe.

Select committees: Agriculture — subject: the effects of pesticides on human health. Witnesses: Department of the Environment; Anglian Water Authority; Water Research Council (Room 18, 10.45 am). Treasury and Civil Service—subject: the Autumn Statement. Witness: Mr Nigel Lawson, Chancellor of the Exchequer (Room 8, 4.45 pm).

FRIDAY

Commons: Debate on Aids.

## Trade fairs and exhibitions: UK

November 18-22
Communications in Business Exhibition (to 21st): Engineering for Oil Exhibition; Scottish (Design and Production) Engineering Exhibition (031-225 5486)
Scottish Exhibition and Conference Centre, Glasgow

November 18-20
London Building and Construction Show (0474 874089)
Kensington Exhibition Centre

November 25-28
International Pharmaceutical Cosmetics, Toiletry and Allied Industries Exhibition—INTERPHEX (01-891 5051)
Met Exhibition Hall, Brighton

November 25-27
People and Technological Change —Investing in Europe's Future Exhibition (01-727 1929)
Queen Elizabeth II Conference Centre SW1

November 25-29
World Travel Market (01-661 4900)
Olympia

November 30-December 4
Royal Smithfield Show (01-235 0315)
Earls Court

December 2-4
International Trade and Services Exhibition and Conference (01-727 1929)
Barbican Centre

December 3-5
Mining Methods Exhibition (0992 77831)
Harrogate

December 9-10
UK Tax Congress/Tax Fair (04868 21231)
Wembley Conference Centre

### Overseas

November 18-22
The Saudi-British Trade Fair (01-642 7888)
Jeddah

November 20-22
International Brussels Travel Fair (021-705 6707)
Brussels

November 24-28
International Hotel and Catering Trade Fair—HOGATEC (01-486 3893)
Dusseldorf

November 25-27
Offshore Industries Exhibition and Conference (01-437 2175)
Amsterdam

November 27-December 2
International Agricultural Equipment Services and Technology Exhibition (01-891 5061)
Beijing

November 29-December 7
Handicrafts in the Domestic Sphere Exhibition — Heim & Handwerk (01-486 1951)
Munich

December 4-7
Autumn and Winter Ready-to-Wear Fashion Fair—PORTEX (01-493 0212)
Porto

December 4-7
ICAF/LA 86—International Contemporary Art Fair (01-486 1951)
Los Angeles

December 10-16
International Food, Pharmaceutical Processing and Package Exhibition (01-236 2399)
Guangzhou

## Business and Management Conferences

November 16-19
Western Australia Government: Future of trade, finance and investment in the Pacific Basin—PACRIM '86 (01-240 2881)
Perth, W. Australia

November 17-18
Hawkedon Partnership: Tanker '86 International Conference—Tomorrow's tankers today (0808 84252)
Heathrow Penta

November 19-20
Banking Law Institute: ADRs and other routes to US capital markets (01-637 7211)
London Tara Hotel

November 24-25
Management Horizons: 18th International Association for the Distribution of Food Products and General Consumer Goods (AIDA) Symposium on purchasing and services—a new dimension (01-891 0245)
Hotel Sheraton, Munich

November 25-27
MSC/EEC: People and technology — investing in training for Europe's future. (01-727 1929)
Queen Elizabeth II Conference Centre, SW1

November 26
Institute of Taxation conference on retirement and capital tax planning (01-235 8847)
RAF Club, W1

November 27-28
London Conferences: International conference on community architecture, planning and design (01-733 2199)
Astoria Theatre, London

December 1-2
FT Conferences: World Telecommunications (01-621 1355)
Hotel Inter-Continental, W1

December 3-4
British Venture Capital Association/FT: Venture capital financial forum (01-621 1355)
Hotel Inter-Continental, W1

December 5
IBC: Back office systems after Big Bang (01-236 4080).
The City Conference Centre, EC3

*Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.*





## Company Notices



## Personal



## Art Galleries



## CLASSIFIED ADVERTISEMENT RATES

From January 1, 1986

| | Per line (min. 3 lines) | Single column cm (min. 3 cms) |
|---|---|---|
| Commercial & Industrial Property | 11.50 | 39.00 |
| Residential Property | 9.00 | 30.00 |
| Appointments | 12.00 | 41.00 |
| Business, Investment Opportunities | 11.50 | 39.00 |
| Business for Sale/Wanted | 11.50 | 39.00 |
| Personal | 9.00 | 30.00 |
| Motor Cars | 9.00 | 30.00 |
| Hotels & Travel | 9.00 | 30.00 |
| Contracts & Tenders | 11.50 | 39.00 |
| Book Publishers | — | net 22.00 |

Premium positions available £8.00 per single column cm extra
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For further details write to:
Classified Advertisement Manager
Financial Times, 10 Cannon Street, London EC4P 4BY

# LONDON RECENT ISSUES

## LONDON RECENT ISSUES

### EQUITIES

| Issue Price | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price | + or – | Net. Div. | Times Cov'd | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| — | F.P. | — | 39 | 27 | Australia Inv. Wrts | 39 | +4 | — | — | — | — |
| 250 | F.P. | 5/12 | 242 | 226 | Avis Europe | 238½ | +½ | R7.6 | 2.4 | 4.5 | 13.3 |
| ¶170 | F.P. | 28/11 | 207 | 186 | BakerHarrisSaund's10p | 196 | ..... | R4.0 | 2.7 | 2.9 | 18.3 |
| §38 | F.P. | 28/11 | 43 | 39 | ‡B.C.E. Hldgs 5p | 42½ | +1 | Rd1.0 | 3.0 | 3.3 | 14.1 |
| §115 | F.P. | 14/11 | 122 | 120 | ‡Berry, Birch 10p | 121 | ..... | R2.5 | 2.2 | 4.9 | 13.0 |
| §130 | F.P. | — | 156 | 130 | ‡Bilston & Batt'sea. 10p | 148 | ..... | R3.7 | 2.2 | 3.5 | 18.3 |
| §95 | F.P. | 21/11 | 145 | 117 | ‡Blenheim Exhibis. 5p | 136 | +8 | u2.1 | 3.2 | 2.2 | 18.6 |
| 125 | F.P. | — | 153 | 148 | Brake Bros. 10p | 149 | ..... | R2.2 | 4.2 | 2.1 | 16.0 |
| §100 | F.P. | 21/11 | 109 | 95 | ‡Citygrove 10p | 95 | –1 | R2.5 | 2.7 | 3.7 | 13.8 |
| §105 | F.P. | 16/10 | 115 | 100 | ‡Eve Construction | 113 | –2 | u4.5 | 3.2 | 5.6 | 7.9 |
| 185 | F.P. | 7/11 | 210 | 188 | ‡Interlink Express 5p | 210 | ..... | R3.5 | 3.2 | 2.3 | 19.0 |
| §105 | F.P. | — | 137 | 123 | Lloyds Chemists 5p | 135 | +8 | u1.28 | 3.3 | 1.3 | 31.9 |
| §135 | F.P. | 24/10 | 285 | 145 | ‡Local London Group 5p | 285 | +5 | W5.0 | 1.8 | 2.5 | 32.1 |
| — | — | ..... | 115 | 110 | Lon. & Gartmore Warr. | 115 | ..... | — | — | — | — |
| 110 | F.P. | 5/11 | 141 | 119 | Marlbor'gh Tech Man 5p | 139 | +7 | R2.70 | 3.1 | 2.7 | 19.0 |
| 138 | F.P. | 20/11 | 154 | 143 | Mecca Leisure 10p | 149 | ..... | R4.1 | 2.2 | 3.9 | 16.3 |
| §105 | F.P. | 24/10 | 184 | 133 | ‡Miller & Santhouse 5p | 184 | ..... | u2.25 | 2.4 | 1.7 | 34.4 |
| §75 | F.P. | 24/10 | 79 | 72 | ‡Newage Trans 5p | 72 | ..... | R3.5 | 2.5 | 6.9 | 8.2 |
| §115 | F.P. | — | 130 | 126 | ‡QuartoGr.Comm.$0.10 | 130 | ..... | R3.195 | 2.8 | 3.5 | 14.6 |
| §90 | F.P. | 24/10 | 94 | 88 | ‡Radamec Group 5p | 98 | +4 | R1.28 | 5.7 | 1.8 | 13.5 |
| §95 | F.P. | 21/11 | 103 | 89 | ‡Rotunda 10p | 100 | –3 | R30.3 | 2.8 | 4.2 | 12.1 |
| ¶110 | F.P. | 24/10 | 115 | 101 | ‡Ryman 5p | 113 | –3 | L1.5 | 3.2 | 1.9 | 18.9 |
| 100 | 50 | 14/11 | 102 | 78½ | TSB | 79 | ..... | W4.26 | 3.1 | 4.7 | 9.9 |
| — | F.P. | — | 52 | 52 | Triwara $5 | 52 | ..... | 1.5c | — | 2.0 | — |
| §160 | F.P. | 5/12 | 179 | 163 | ‡Whinney Mackay 10p | 165 | –1 | R4.0 | 3.0 | 3.4 | 13.6 |
| 104 | F.P. | 5/12 | 89 | 80 | ‡Wooltons Bet'ware 10p | 89 | +5 | dR3.7 | 1.5 | 5.9 | 16.2 |
| ** | F.P. | — | 96 | 91 | Yeoman Inv. Cap. 1p | 91 | ..... | — | — | — | — |

### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price £ | + or – |
|---|---|---|---|---|---|---|---|
| ‖ | Nil | 17/12 | 190pm | 140pm | Bristol Oil & Min 3% Cnv 2nd Mt Deb 1989 | 177pm | +7 |
| §100 | £10 | 8/1 | 12½ | 10 | East Worcs. Water 12½% Red Deb 94-96 | 11 | ..... |
| §100 | £10 | 29/1 | 11 | 8⅝ | Essex Water 11¼% Red. Deb. 2002-04 | 9½ | –½ |
| ¶101.41 | £10 | 26/2 | 11¼ | 8 | do 8⅝% Red. Pf 1993 | 10¼ | +1¼ |
| §100 | F.P. | 2/12 | 107½p | 10bp | Fed. Housing 9½% Cum. Red. Prf | 107p | ..... |
| ‖ | Nil | 16/12 | 9pm | ½pm | Hartons 7% Cnv. Cum. Red. Prf | ¼pm | ..... |
| §100 | £10 | 15/5 | 9½ | 2 | Mid-Sussex Water11% Red Deb2012-16 | 4 | ..... |
| — | F.P. | — | 100¼ | 100 | Nationwide11¼% 26/10/87 | 100⅛ | ..... |
| ¶101.87 | £10 | 22/1 | 11¼ | 9 | Portsmouth Wtr. 8¼% Red. Pf 1996 | 10 | ..... |
| ¶102.25 | £10 | 8/1 | 11¼ | 9 | Tendring Hundred Wtr 8¼% Rd. Pf 1996 | 10 | ..... |

### "RIGHTS" OFFERS

| Issue Price | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price p | + or – |
|---|---|---|---|---|---|---|---|
| 70 | Nil | 19/12 | 8pm | 1½pm | Brit. Benzol 10p | 1½pm | –2½ |
| 12 | Nil | 19/12 | 1½pm | 1½pm | Elswick 5p | 1½pm | ..... |
| 14 | Nil | 7/1 | 6pm | 5pm | London & Assoc. 10p | 5½ | ..... |
| 40 | Nil | 19/12 | 16pm | 3pm | Petrocon 12½p | 5pm | –1 |
| 350 | Nil | 19/12 | 67pm | 37pm | Redland | 48pm | –4 |
| 720 | 360 | 9/1 | 376pm | 360pm | Siebe | 375pm | ..... |

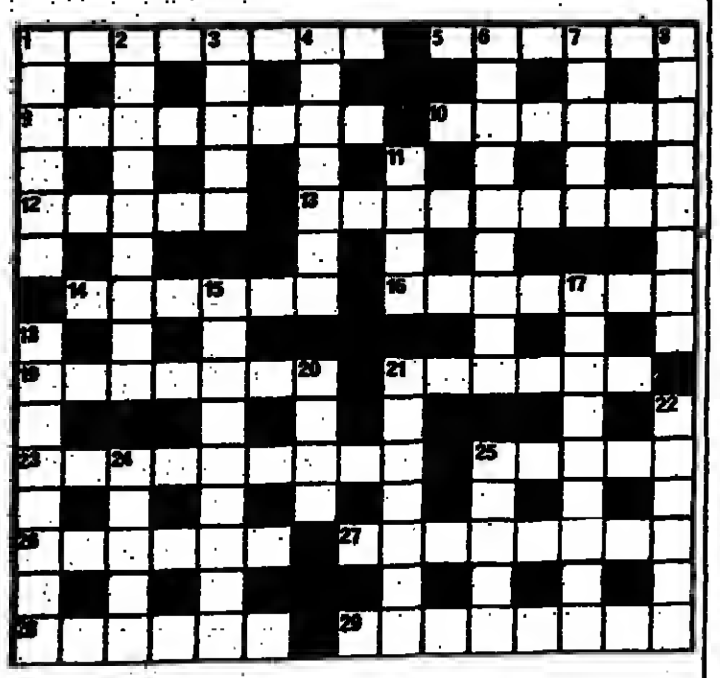
Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖¶ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▇ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

## JOTTER PAD



## F.T. CROSSWORD PUZZLE No. 6,179

DANTE



**ACROSS**

1 Start off on holiday (8)
5 Overweight blondes, initially, yearn to get in shape (6)
9 Reaction to a flogging (8)
10 Taciturn native (6)
12 Singer gets the awkward note right (5)
13 Ridiculous, ridiculous, ridiculous, I quit! (9)
14 Gentleman to escort a lady (6)
16 A gear in a Renault, perhaps (7)
19 Dance apace (3-4)
21 A steep change in Spanish currency (6)
23 Their bank accounts are often misleading (9)
25 Yes—Russian tea may be found here (5)
26 He cometh in play or cinema production (6)
27 Strange things about American election campaigns (8)
28 Don't work but possibly make money (6)
29 Loth to tackle anything not lined out (8)

**DOWN**

1 Whole rounds or portions (6)
2 Skill needed to develop the quince (9)
3 Man who may impose a rigid measure? (5)
4 Pardon sailor's love-affair (7)
6 Young troopers (3, 6)
7 Open-air party is best (5)
8 A girl's so excited by opals (8)
11 A study of foreign port (4)
15 Not knowing—how to mend a fuse (2, 3, 4)
17 A verbal reservation? (9)
18 Loses a game (8)
20 It may be well-worn and well-used (4)
21 Bird book (7)
22 Wager about dumb animal being a dog (6)
24 Cattle drive (5)
25 It's said in France to be the same (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

# AUTHORISED UNIT TRUSTS

# FT UNIT TRUST INFORMATION

# AUTHORISED UNIT TRUST & INSURANCES

**Windsor Trust Mngrs Ltd**
83 Kingsway, London, WC2B 6SD 01-405 8331

| | | | | |
|---|---|---|---|---|
| Central & Equity Tst | 49.2 | 52.4 | −0.2 | 7.51 |
| Growth Trust | 53.6 | 57.1 | −0.3 | 2.16 |
| Income Trust | 56.2 | 59.8 | −0.3 | 4.92 |

**Wright Seligman Fund Managers Ltd**
11 Blomfield St, London EC2M 7AY 01-588 0592

| | | | | |
|---|---|---|---|---|
| Growth Fund | 73.0 | 76.0 | — | 2.80 |

Weekly dealing day Tuesday

**The Yorkshire General Trust**
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602290

| | | | | |
|---|---|---|---|---|
| Y.G.T. | 132.7 | 141.2 | −0.1 | 3.04 |

# INSURANCES

**AA Friendly Society**
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

| | | | | |
|---|---|---|---|---|
| AA Friendly Sy Nov 14 | — | 104.0 | +1.2 | — |

**Abbey Life Assurance Co Ltd**
80 Holdenhurst Road, Bournemouth 0202 292373

| | | | | |
|---|---|---|---|---|
| Prop. Ser. 1 | 200.1 | 210.7 | — | — |
| Equity Ser. 1 | 103.5 | 109.0 | −0.2 | — |
| Prop. Acc. Ser 2 | 279.4 | 294.2 | — | — |
| Equity Ser 2 | 112.5 | 118.5 | −0.2 | — |
| Selective Acc. | 237.1 | 249.6 | −0.1 | — |
| Prop. Ser. 4 | 222.2 | 232.9 | — | — |
| Equity Ser. 4 | 114.9 | 121.0 | −0.2 | — |
| Fixed Int. Ser. 4 | 172.7 | 181.8 | +0.2 | — |
| Indexed Inv. Ser. 4 | 107.0 | 112.7 | +0.1 | — |
| American Ser. 4 | 259.3 | 273.0 | −4.5 | — |

# INSURANCE, OVERSEAS & MONEY FUNDS

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

## Money Market Trust Funds

## Money Market Bank Accounts

## NOTES

## TRADITIONAL OPTIONS

3-month call rates

# LONDON SHARE SERVICE

## BRITISH FUNDS

| Interest Due | | Stock | Price £ | Last xd | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| | | **"Shorts" (Lives up to Five Years)** | | | | |
| 22Jul | 22Jan | Exch. 13¼pc 1987 | [illegible] | [illegible] | [illegible] | 11.23 |
| 10 Aug | 10 Feb | Treas 10½pcCv '87 | [illegible] | [illegible] | [illegible] | 11.00 |
| 24Aug | 24Feb | Exch 2½pc 1987 | [illegible] | [illegible] | [illegible] | 8.78 |
| 6Oct | 6Apr | Exch. 10½pc 1987 | [illegible] | [illegible] | [illegible] | 11.17 |
| 1 Nov | 1 May | Funding 6½pc 85-87 | [illegible] | [illegible] | [illegible] | 10.15 |
| 12Dec | 12Jun | Treas. 10pc 1987 | [illegible] | [illegible] | [illegible] | 11.16 |
| 14Jan | 14Jly | Treas 3pc 1987 | [illegible] | [illegible] | [illegible] | 8.67 |
| 3May | 3Nov | Treas. 12pc 1987 | [illegible] | [illegible] | [illegible] | 11.03 |
| 26 Jul | 26 Jan | Treas 7¾pc 1985-88‡‡ | [illegible] | [illegible] | [illegible] | 10.65 |
| 10Nov | 10May | Exch 10½pc '88 | [illegible] | [illegible] | [illegible] | 11.13 |
| 14Dec | 14Jun | Treas 9½pc Cv '88 | [illegible] | [illegible] | [illegible] | 11.26 |
| 1Jan | 1Jul | Transport 3pc '78-88 | [illegible] | [illegible] | [illegible] | 8.82 |
| 25 Apr | 25 Oct | Treas. 9½pc '88 | [illegible] | [illegible] | [illegible] | 11.29 |
| 22 Aug | 22 Feb | Treas 11½pc 1989 | [illegible] | [illegible] | [illegible] | 11.29 |
| 18 Oct | 18 Apr | Treas 9½pc Cnv 1989 | [illegible] | [illegible] | [illegible] | 11.26 |
| 15Nov | 15May | Treas 3pc 1989 | [illegible] | [illegible] | [illegible] | 8.60 |
| 14Dec | 14Jun | Treas 10½pc 1989 | [illegible] | [illegible] | [illegible] | 11.30 |
| 1Feb | 1Aug | Exch 10pc 1989 | [illegible] | [illegible] | [illegible] | 11.31 |
| 29 Mar | 29 Sep | Exch 11pc 1989 | [illegible] | [illegible] | [illegible] | 11.29 |
| 15 Apr | 15 Oct | Treas 5pc 1986-89 | [illegible] | [illegible] | [illegible] | 9.59 |
| 15 May | 15 Nov | Exch 10½pcCv '89 | [illegible] | [illegible] | [illegible] | 10.35 |
| 15 Jul | 15 Jan | Treas 13pc 1990‡‡ | [illegible] | [illegible] | [illegible] | 11.29 |
| 12 Aug | 12 Feb | Exch 11pc 1990‡‡ | [illegible] | [illegible] | [illegible] | 11.25 |
| 22 Sep | 22 Mar | Exch. 12½pc 1990 | [illegible] | [illegible] | [illegible] | 11.90 |
| 8 Nov | 8 May | Treas. 3pc 1990 | [illegible] | [illegible] | [illegible] | 8.72 |
| 15 Dec | 15 Jun | Treas 8¼pc 1987-90‡‡ | [illegible] | [illegible] | [illegible] | 10.63 |
| 25 Apr | 25 Oct | Treas. 10pcCv 1990 | [illegible] | [illegible] | [illegible] | 11.32 |
| 22 May | 22 Nov | Exch 2½pc 1990 | [illegible] | [illegible] | [illegible] | 8.45 |
| 10 July | 10 Jan | Treas 11¾pc 1991 | [illegible] | [illegible] | [illegible] | 11.33 |
| 5Oct | 5Apr | Funding 5¾pc '87-91‡‡ | [illegible] | [illegible] | [illegible] | 9.48 |
| 13 Nov | 13 May | Treas. 3pc 1991● | [illegible] | [illegible] | [illegible] | 8.57 |
| 12Jan | 12July | Treas 10pcCv'91(£40pd) | [illegible] | [illegible] | [illegible] | 10.97 |
| 25Apr | 25Oct | Exch. 11pc 1991 | [illegible] | [illegible] | [illegible] | 11.23 |

### Five to Fifteen Years

[illegible]

### Over Fifteen Years

[illegible]

### Undated

[illegible]

### Index-Linked

[illegible]

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

## CORPORATION LOANS

[illegible]

## COMMONWEALTH & AFRICAN LOANS

[illegible]

## LOANS

### Building Societies

[illegible]

### Public Board and Ind.

[illegible]

### Financial

[illegible]

## FOREIGN BONDS & RAILS

[illegible]

## AMERICANS

[illegible]

## AMERICANS—Cont.

[illegible]

## CANADIANS

[illegible]

## BANKS, HP & LEASING

[illegible]

### Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS—Cont.

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY & STORES—Cont.

[illegible]

## ELECTRICALS

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING—Continued

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS—Continued

[illegible]

[redacted]



## INDUSTRIALS—Continued

| Dividends Paid | | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| | May | Matsec 10p | 76 | 13.10 | 12.46 | 2.6 | 4.6 | 11.7 |
| Jan. | May | Mitchell Cotts | 59 | 10.3 | 1.5 | 2.1 | 3.6 | 35.2 |
| August | | Monks & Crane 10p | 118 | 30.6 | L2.7 | 2.9 | 3.2 | 14.4 |
| Jan. | July | Morgan Crucible | 315xd | 10.11 | 18.5 | 1.5 | 3.8 | 20.9 |
| | May | Morris (W) F.A. 30p | 27½ | — | — | — | — | — |
| | July | Myson Grp 10p | 155 | 29.9 | †2.63 | 2.6 | 2.4 | 20.0 |
| Nov | June | NMW Computers | 255 | 13.10 | 16.0 | 3.0 | 3.9 | 14.7 |
| Mar. | Sept. | Nash Inds. | 83 | 11.8 | †0.5 | — | 0.8 | — |
| — | | Neil & Spencer 10p | 13½ | 3'81 | — | — | — | — |
| Jan | July | Newman Inds 10p | 36 | 15.9 | †0.8 | 1.5 | 3.1 | 27.5 |
| Apr | Sept | Noble & Lund 10p | 98 | 29.9 | 0.7 | 4.3 | 1.0 | 32.3 |
| April | Dec | Nolton | 52 | 2.6 | 1.2 | ♦ | 3.3 | ♦ |
| — | | Norcark Systems 5p | 139 | 15.9 | m1.5 | — | 1.5 | 17.8 |
| Jan. | Aug. | Norcros | 249 | 14.7 | 9.3 | 2.2 | 5.3 | 11.9 |
| Oct. | April | Nu-Swift 5p | 191 | 27.10 | †3.5 | 2.1 | 2.6 | 25.7 |
| May | Nov | OCE 9pc Cnv 1987-92 | £297½ | 27.10 | Q9% | — | — | — |
| Feb. | Aug. | Oakwood Grp. | 90 | 27.1 | †5.0 | 1.3 | ‡ | 12.5 |
| Dec | July | Office & Elect | 183 | 27.10 | 8.5 | 2.9 | 6.5 | 7.5 |
| Apr | Oct | Ofrex 20p | 175 | 10.2 | ♦5.0 | ♦ | 4.1 | ♦ |
| — | | Omnitech 1p | 31 | — | — | — | — | — |
| — | | Optometrics $0.01 | 20 | — | — | — | — | — |
| May | Nov | Oriflame £1 | 860 | 29.9 | †24.5 | 2.1 | 4.0 | 16.7 |
| Jan. | June | Ovenstone 12½p | 7 | 12.5 | Q3.23c | 1.9 | 14.3 | 3.7 |
| December | | PCT Grp 10p | 110 | 15.9 | 43.2 | — | 6.0 | — |
| April | | PLM 'B' Sk 25 | £18¼ | 3.4 | Q23.2% | 0.5 | 3.3 | — |
| June | Dec | PSM Intl. | 193 | 8.10 | 4d5.5 | 2.1 | 4.1 | 14.4 |
| | June | Pacer Systems $0.01 | 185 | 25.4 | L03.8 | 3.4 | 1.4 | 20.6 |
| Apr. | Dec. | Pacific Sales 10p | 32 | 15.9 | 3.0 | 1.4 | 8.3 | 12.2 |
| Apr | Nov | Parker Knoll 'A' | 427 | 29.9 | 12.0 | 3.2 | 4.0 | 11.2 |
| February | | Parkfield Group 2p | 215 | 11.8 | 3.6 | 4.2 | 2.4 | 13.7 |
| — | | Paxton Intl | 34 | — | — | — | — | 6.4 |
| Aug. | Feb. | Do 11pc CnLn '94-02 | £74½ | 12.8 | Q11% | — | 15.1 | — |
| June | Nov | Pearson | 593 | 15.9 | †10.0 | 2.8 | 2.4 | 19.3 |
| — | | Peek Holdings 3p | 45 | — | — | — | — | — |
| Mar | Oct | Peerless | 145 | 1.9 | 6.5 | 1.5 | 6.1 | 13.8 |
| July | Nov | Pentland 10p | 445 | 15.9 | †0.75 | 22.4 | 0.2 | 25.2 |
| May | Dec. | Photo-Me | £127½ | 13.10 | 5.75 | ♦ | 0.6 | ♦ |
| Feb. | Aug. | Pilkington Br. £1 | 585 | 16.6 | — | — | — | — |
| | | Do. Warrants | 158 | — | — | — | — | — |
| June | Dec. | Pitney-Bowes Cnv. Ln. | £464½ | 16.6 | Q5% | — | 1.2 | — |
| Sept. | April | Plastic Const. 10p | 80 | 11.8 | †2.8 | 2.5 | 4.9 | 11.2 |
| — | | Platignum 5p | 7 | 7'82 | — | — | — | — |

## LEISURE—Continued

| Dividends Paid | | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| — | | Lowmar | 95 | 28.7 | s2.63 | 3.3 | 4.0 |
| | | Marina Dev. 50p | 76 | — | R3.13 | 3.8 | 5.8 |
| Mar | Oct | Media Tech Int 20p | 128 | 15.9 | 2.8 | 4.5 | 3.1 |
| Apr. | Dec. | Medminster 10p | 150 | 10.3 | 6.25 | ♦ | 6.0 |
| Oct | May | Miss World 10p | 205 | 1.9 | †5.2 | 3.3 | 3.6 |
| May | Oct | Nationwide Leisure | 68 | 12.5 | 3.75 | 2.5 | 7.8 |
| — | | Nimslo Int 20c | 8 | — | — | — | — |
| — | | Orient Ex Hds $0.125 | 140 | 1'84 | — | — | — |
| | July | Owners Abroad 3p | 40½ | 28.4 | 1.5 | 2.3 | 5.2 |
| — | | Photax (Lon.) | 75 | 4'82 | — | — | — |
| Apr | Sept | P'dilly Radio NV 5p | 29 | 11.8 | 2.0 | ♦ | 10.1 |
| — | | Pineapple 10p | 72 | 22.7 | — | — | — |
| Sept. | Apr. | Pleasurama 5p | 335 | 11.8 | †7.5 | 3.6 | 3.4 |
| Sept. | Mar. | Do. 7pcCvCumRedPf | 159½ | 11.8 | 7% | — | 6.6 |
| Apr | Nov | Prestwich | 104 | 27.10 | 0.85 | 6.9 | 1.2 |
| — | | Radio City 'A' NV | 28 | 12'84 | — | — | — |
| Jan | July | Radio Clyde NV | 53 | 2.6 | 3.25 | 0.9 | 8.6 |
| May | Nov | Really Useful Grp 5p | 386 | 27.10 | 11.25 | ♦ | 4.1 |
| — | | Riley Leisure 10p | 39 | 10'84 | — | — | — |
| Apr. | Nov. | Saga Hols. 20p | 167 | 28.7 | 4.6 | 2.6 | 3.9 |
| Apr | Nov | Samuelson Grp 20p | 168 | 30.6 | 2.4 | 6.5 | 2.1 |
| Jan | July | Sangers Photo 10p | [illegible] | 10.11 | ♦†2.2 | 1.5 | 3.9 |
| July | Dec | Scoron 20p | 97 | 27.10 | 4.0 | 3.5 | 5.8 |
| Dec | May | Scott. TV 10p | 361 | 27.10 | †10.5 | 3.3 | 4.1 |
| | | For SeaCo Inc. see Orient Express Hotels | | | | | |
| — | | SelecTV 10p | 17 | — | — | — | — |
| — | | Spectrum 5p | 26 | — | †1.20 | 4.8 | ‡ |
| | | Stanley Leisure | 166 | — | †3.25 | 2.8 | 2.9 |
| May | Nov | TSW 5p | 49 | 13.10 | 2.05 | 2.6 | 5.9 |
| | | TV-am 10p | 225 | 27.10 | R5.75 | 2.6 | 3.6 |
| Mar | Aug | TVS N/Vtg 10p | 271 | 14.7 | M10.0 | 2.5 | 5.2 |
| May | Oct | Television Svcs 50p | 82 | 29.9 | †2.0 | 2.9 | 3.4 |
| — | | Thames TV | 330 | — | 19.5 | 1.9 | 4.1 |
| Apr | Nov | Tottenham Hotspur | 67 | 16.9 | — | — | — |
| Feb | Aug | Trillion 10p | 76 | 16.6 | 1.1 | 1.5 | 2.0 |
| Dec | June | Tyne Tees TV 'A' £1 | 248 | 15.9 | †10.5 | 2.0 | 6.0 |
| Jan | July | Ulster TV N/V 'A' | 148 | 13.10 | 6.25 | ♦ | 5.9 |
| February | | Viewplan 5p | 80 | 29.9 | †2.26 | 2.4 | 3.1 |
| — | | WSL 5p | 160 | 9'82 | — | — | — |
| April | Sept | Webb (Jos.) 5p | 51 | 12.8 | 0.51 | 1.5 | 2.3 |
| July | Apr | Williams (Rex) 5p | 17½ | 13.10 | 0.91 | 1.0 | 6.6 |

## PROPERTY—Continued

## INVESTMENT TRUSTS—Cont.

## FINANCE, LAND—Cont.

## MINES—Continued

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

### Tins

### Miscellaneous

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

### Commercial Vehicles

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING, ADVERTISING

## INSURANCES

## LEISURE

## PROPERTY

## SHIPPING

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TOBACCOS

## TRUSTS, FINANCE, LAND

### Investment Trusts

### Finance, Land, etc

## OIL AND GAS

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

## NOTES

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

"Recent Issues" and "Rights" Page 43
(International Edition Page 29)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

# APPOINTMENTS

## Key posts at Nomura's London bank

Key appointments at recently-formed NOMURA INTERNATIONAL FINANCE, London, include: chairman Mr Hideo Suzuki; managing director Mr Andreas Prindl; deputy managing director Mr Akira Ishikawa; general manager (credit) Mr Peter G. Harrold (from Nat-West); general manager (treasury) Mr Graham R. Sinister (from Midland Bank); general manager (administration) and company secretary Mr Masanori Sumikawa; deputy general manager (treasury) Mr Lawrence K. Duke (from Midland Bank); deputy general manager (credit) Mr Ricardo L. Sicre (from Saudi Int). The company is wholly-owned by the Nomura Securities Company, Tokyo.

★

Mr Kiyoto Oyama, managing director of NEW JAPAN SECURITIES COMPANY, and New Japan Securities Europe has been transferred to Tokyo where he will become senior managing director of New Japan Securities Research Institute Company, from December 19. Mr Shunichi Hiratsuka, formerly the non-resident chairman of New Japan Securities Europe has become the resident chairman and managing director. On December 19 Mr Hiratsuka will also be appointed co-managing director of New Japan Securities Company.

★

Mr A. E. L. Reeves has become a director of G. PERCY TRENTHAM. He will assume responsibility for the south and south east regions. Mr R. J. Horsey has resigned as a director.

★

Mr Keith Chittenden has been appointed marketing director of THE MARCONI COMPANY, Stanmore, on the retirement of Mr Robert Ashworth at the end of the year. Mr David Chenery has returned to replace Mr Chittenden as managing director of Marconi Radar Systems, Chelmsford. He was managing director of Racal Communications.

★

Mr Barney Barnett, previously chairman, has become chief executive and deputy chairman of ATA SELECTION. He has appointedo Mr Simon Greenly, previously a non-executive director, as chairman. Mr Greenly is managing director of Greenly's, and chairman of Les Routiers in the UK and a non-executive director of Lloyd Instruments.

★

Mr Graham Smith has been appointed deputy managing director of BENCHMARK TRUST, a subsidiary of Benchmark. He was manager of the Bloomsbury branch of Barclays Bank.

★

SIMON ENGINEERING has appointed Mr Michael Harrison as managing director of Simon Engineering Dudley. He was managing director of Fielding & Platt.

★

Mr Christopher G. Poulton has been appointed managing director of ALEXANDERS LAING & CRUICKSHANK MERGERS AND ACQUISITIONS, part of the Mercantile House group's international securities division, Alexanders Laing & Cruickshank. Mr Poulton was a director of various members of the Cadogan Estates group.

★

Mr Donald MacKechnie has been appointed director of financial analysis and control for THORN EMI.

★

AMERICAN RE-INSURANCE COMPANY has appointed Mr Gordon M. Diment as director and general manager of American Re-Insurance Company (UK). Mr Timothy J. Fox becomes director — operations, and Mr Terence R. Masters a director. Mr Diment and Mr Fox both joined in 1972 and were appointed to the board in 1984, as financial director and director for underwriting management respectively. Mr Masters joined in 1980 and will now assume responsibility for the management and control of underwriting. Mr Mahmoud Abdallah, vice president in charge of international division operations of American Re-Insurance Company, has also been elected to the board of American Re-Insurance Company (UK).

★

Mr Alastair Graham, formerly head of commercial lending division, Girobank, has been appointed assistant director, corporate banking, D. C. GARDNER & CO.

★

Following the acquisition of FITTER AND POULTON by Chamberlin and Hill, senior management appointments have been made. Taking over as managing director of Fitter and Poulton is Mr H. Campbell Kerr, who continues as managing director of company Conduit Fittings. Continuing as sales director of Fitter and Poulton is Mr Barry J. Elliker who will also assume responsibility for the sales activity of Conduit Fittings.

★

Mr David Hookway has been appointed managing director of the RENDELS GROUP and of Rendel Palmer & Tritton. He has assumed the responsibilities formerly held by Ian Reeves as chief executive of the group. Mr Reeves is chairman of High-Point Services Group, the parent company of Rendels and will continue to be a director of both companies. Mr Hookway was director of operations of Rendel Palmer & Tritton and a member of the Rendels board. Mr Bruce Claxton becomes a director of Rendel Palmer & Tritton in addition to his duties as company secretary of the Rendels Group. Mr Brian Reeves is made assistant director of Rendel Palmer & Tritton.

★

Mr G. Robin Parry has become a partner in PRICE WATERHOUSE, based in Glasgow. He was a consulting partner with Arthur Young.

★

Mr G. M. Gatley, Mr D. M. Ayres and Mr B. Foster have been appointed to the main board of ALLIED PLANT GROUP from December 17. They were directors of George Dew and Co. prior to its merger with the Allied Plant Group. Mr. G. T. A. W. Horton has been appointed a non-executive director to the main board of Allied Plant Group.

★

APPLIED HOLOGRAPHICS has appointed Dr David Greenaway to the main board. He will be based in Switzerland and joins from LGZ Landis & Gyr Corpn. Mr Tony Sbardella becomes sales director of Applied Holographics. He was with Data Card U.K. as director and general manager.

★

Mr A. Thomas Vernon has joined the board of J. W. SPEAR & SONS. He runs Chieftain Products Inc. in Canada, and is also a director of Harbourdin International of Paris.

★

In the C. E. HEATH GROUP: Mr David Allan Graham is appointed an additional director of C. E. Heath and Co. (North America) from December 1. Mr Jonathan Bryan Bloom as associate director; and Mr Geoffrey George Dixon, Mr Philip Stewart Holdway-Davis and Mr Neal Ashley Thomas assistant directors.

★

Mr Peter Owers has joined the building supplies division of WHITECROFT as divisional purchasing manager. Mr Eamonn O'Gorman assumes full-time responsibility as a director of Wisepert. Mr Owers was group buying manager of J. H. Sankey.

★

MITCHELL SOMERS has appointed Mr Martin Baker as finance director. Mr Alan Beaumont will in future concentrate on the group's secretarial, legal and pension arrangements.

★

Miss Susan Christiansen has been appointed an associate director of Lloyd's brokers, BRADSTOCK, BLUNT & CRAWLEY.

# WORLD STOCK MARKETS

## AUSTRIA

| 1986 High | 1986 Low | Nov. 14 | Price Sch |
|---|---|---|---|
| 2,550 | 2,190 | Credit'nst'l1 00 | 2,250 |
| 3,850 | 3,075 | Goessar | 5,260 |
| 16,000 | 12,700 | Interunfall | 15,300 |
| 21,750 | 11,000 | Jungbunzlauer | 14,200 |
| 2,475 | 1,950 | Laenderbank | 9,210 |
| 795 | 560 | Perlmooser | 625 |
| 211 | 150 | Steyr Daimler | 138 |
| 12,500 | 8,850 | Veitscher Mag | 10,080 |

## BELGIUM/LUXEMBOURG

| 1986 High | 1986 Low | Nov. 14 | Price Frs. |
|---|---|---|---|
| 6,500 | 2,290 | B.B.L. | 5,195 |
| 16,550 | 9,600 | Banq. Gen. Lux. | 15,300 |
| 17,000 | 9,400 | Banq. Int.A.Lux. | 13,100 |
| 14,600 | 2,260 | Bekaert | 15,100 |
| 4,660 | 2,640 | Ciment CBR | 5,510 |
| 195 | 120 | Cockerill | 148 |
| 3,240 | 1,662 | Delhaize | 2,900 |
| 4,940 | 3,580 | EBES | 4,760 |
| 17,550 | 10,425 | Electrobel | 14,235 |
| 2,700 | 1,890 | Fabrique Nat | 1,990 |
| 8,950 | 5,580 | GB Inno BM | 8,560 |
| 4,553 | 2,523 | GBL (Brux) | 4,050 |
| 6,800 | 4,310 | Generale Bank | 5,000 |
| 6,850 | 4,750 | Gevaert | 6,050 |
| 8,150 | 5,700 | Hoboken | 7,760 |
| 3,995 | 2,880 | Intercom | 3,780 |
| — | — | Kredietbank | 4,300 |
| 11,650 | 9,900 | Pan Holding | 10,750 |
| 9,740 | 5,050 | Petrofina | 9,480 |
| 29,150 | 17,200 | Royale Belge | [illegible] |

## GERMANY

## DENMARK

## FINLAND

## NORWAY

## SWEDEN

## SWITZERLAND

| 1986 High | 1986 Low | Nov. 14 | Price Frs. |
|---|---|---|---|
| 495 | 378 | Pirelli | 457 |
| 13,000 | 9,900 | Sandoz (Br) | 10,100 |
| 2,030 | 1,480 | Sandoz (Pt Cts) | 1,510 |
| 900 | 580 | Schindler (PtCts) | 395 |
| 1,980 | 1,300 | Sika | 1,560 |
| 6,785 | 3,900 | Surveillance A | 6,275 |
| 2,220 | 1,215 | Swissair | 1,210 |
| 523.5 | 490 | Swiss Bank | 387 |
| 19,700 | 15,200 | Swiss Reinse | 18,375 |
| 8,750 | 2,540 | Swiss Volksbk | 2,605 |
| 5,000 | 4,850 | Union Bank | 5,870 |
| 7,950 | 4,890 | Winterthur | 5,875 |
| 8,775 | 5,750 | Zurich Ins | 7,960 |

## AUSTRALIA

## JAPAN

## NETHERLAND

## SOUTH AFRICA

## HONG KONG

| 1986 High | 1986 Low | Nov. 14 | Price H.K.$ |
|---|---|---|---|
| 7.8 | 5.5 | HK Land | 6.15 |
| 8.3 | 6.25 | HK Shanghai Bk. | 8.0 |
| 16.6 | 9.5 | HK Telephone | 14.3 |
| 44.25 | 24 | Hutchison Wpa. | 41.0 |
| 20.4 | 11 | Jardine Math | 20.0 |
| 9.15 | 5.05 | New World Dev. | 8.7 |
| 21.2 | 10.8 | SHK Props | 20.2 |
| 1.15 | 0.62 | Shell Elect. | 0.8 |
| 18 | 9.2 | Swire Pac A | 15.4 |
| 2.1 | 5 | TV—B | 9.0 |
| 8.3 | 5.15 | Winsor Inds. | 8.65 |
| 5.4 | 9.07 | World Int. Hldgs. | 5.12 |

## FRANCE

## SPAIN

## SINGAPORE

## ITALY

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

# Indices

## NEW YORK

| DOW JONES | Nov. 14 | Nov. 13 | Nov. 12 | Nov. 11 | Nov. 10 | 1986 High | 1986 Low | Since Comp High | Since Comp Low |
|---|---|---|---|---|---|---|---|---|---|
| ◆Industrials | 1873.39 | 1868.20 | 1893.70 | 1893.95 | 1892.29 | 1919.71 (4/9) | 1502.29 (22/1) | 1919.71 (4/9/86) | 41.22 2/7/32 |
| H'me Bnds. | 99.23 | 91.89 | 91.87 | 91.22 | 91.24 | 92.73 (6/11) | 83.76 (14/1) | — | — |
| Transport. | 838.93 | 834.25 | 840.13 | 833.65 | 844.65 | 849.65 (5/11) | 688.97 (9/1) | 849.65 5/11/86 | 12.32 8/7/32 |
| Utilities | 910.13 | 209.87 | 211.64 | 910.44 | 910.27 | 219.10 (20/8) | 168.47 (22/1) | 219.15 20/8/86 | 10.5 8/4/33 |
| ◆Day's High | 1888.58 (1901.01) | | Low 1848.28 (1857.28) | | | | | | |

| STANDARD AND POOR'S | Nov. 14 | Nov. 13 | Nov. 12 | Nov. 11 | Nov. 10 | 1986 High | 1986 Low | Since Comp High | Since Comp Low |
|---|---|---|---|---|---|---|---|---|---|
| Composite | 244.50 | 243.02 | 246.64 | 247.08 | 246.15 | 253.3 (27/8) | 203.49 (22/1) | 253.3 27/8/86 | 4.40 1/6/32 |
| Industrials | 272.33 | 270.89 | 274.74 | 275.21 | 275.81 | 282.24 (2/7) | 224.46 (22/1) | 282.24 2/7/86 | 3.62 21/6/32 |
| Financials | 26.84 | 26.64 | 27.26 | 27.45 | 27.45 | 31.18 (14/5) | 25.13 (22/1) | 31.18 14/5/86 | 8.64 1/10/74 |
| N.Y.S.E. COMPOSITE | 140.72 | 140.03 | 141.89 | 142.14 | 141.71 | 145.75 (4/9) | 117.75 (22/1) | 145.75 4/9/86 | 4.46 28/4/42 |
| AMEX. MKT VALUE | 265.63 | 266.76 | 268.65 | 267.49 | 267.23 | 285.19 (26/6) | 240.30 (4/2) | 285.19 25/6/86 | 29.13 5/12/74 |
| NASDAQ OTC COMP. | 358.59 | 358.01 | 351.19 | 361.38 | 359.98 | 411.16 (3/7) | 323.01 (9/1) | 411.10 9/7/86 | 54.87 3/10/74 |

| DIVIDEND YIELDS | Nov 7 | Oct. 31 | Oct. 24 | Oct. 17 | year ago (approx) |
|---|---|---|---|---|---|
| Dow Industrial | 3.65 | 3.66 | 3.74 | 3.73 | 4.48 |

| | Nov. 12 | Nov. 5 | Oct. 22 | Oct. 22 | |
|---|---|---|---|---|---|
| S and P Industrial | 2.96 | 2.88 | 3.04 | 3.09 | 3.82 |
| S and Pind P/E ratio | 17.73 | 17.69 | 17.94 | 18.98 | 15.38 |

## TRADING ACTIVITY

## CANADA

## NEW YORK ACTIVE STOCKS

** Saturday November 8: Japan Nikkei (c). TSE (c). Base values of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

# CANADA

## TORONTO

*Closing prices November 14*

## MONTREAL

*Closing prices November 14*

F—No voting rights or restricted voting rights.

Total Sales 3,413,414 shares

# OVER-THE-COUNTER

*Nasdaq national market, closing prices November 14*

Continued from Page 37

*Closing prices, November 14*

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 28½ | 15 | AAR s | .44 | 1.9 | 17 | 313 | 23¼ | 23 | 23⅛ | +⅛ |
| 30 | 21¾ | ADT | .92 | 3.5 | | 410 | 26⅝ | 26⅜ | 26½ | +⅛ |
| 33 | 13⅝ | AFG s | .12t | .4 | 15 | 132 | 29¾ | 29⅛ | 29½ | −½ |
| 25⅞ | 19¾ | AGS | | | 16 | 135 | 24¼ | 24 | 24⅛ | |
| 62⅛ | 38¾ | AMR | | | 13 | 2363 | 56¾ | 55½ | 56⅜ | +⅜ |
| 27½ | 23⅛ | ANR pf 2.67 | | 10. | | 2 | 25½ | 25½ | 25½ | |
| 24¼ | 19⅝ | ANR pf 2.12 | | 9.0 | | 2 | 23½ | 23½ | 23½ | −⅛ |
| 16¾ | 10 | ARX | .71t | 6.4 | 16 | 58 | 11⅛ | 11 | 11⅛ | |
| 41½ | 28⅝ | ASA | 2a | 5.4 | | 828 | 35½ | 37 | 37 | −1¼ |
| 18⅝ | 9¾ | AVX | | 2.6 | | 123 | 12¼ | 11¾ | 12⅛ | +¼ |
| 32 | 25⅛ | AZP | 3.72 | 9.4 | 9 | 964 | 29⅞ | 20⅞ | 28⅞ | −¼ |
| 53 | 28¾ | AbtLb s | .84 | 1.8 | 20 | 3614 | 46 | 45⅞ | 45⅞ | −½ |
| 32 | 22⅞ | AccoWd | .55 | 2.1 | 17 | 66 | 27⅜ | 27 | 27 | −¼ |
| 14⅞ | 9 | AcmeC | .40 | 4.8 | | 30 | 10¼ | 16 | 18⅛ | |
| 9¼ | 6¼ | AcmeE | .32b | 4.8 | 17 | 15 | 6⅝ | 6½ | 3⅜ | |
| 23⅞ | 17½ | AdaEx | 4.45e | 21. | | 109 | 20⅞ | 20⅝ | 20⅞ | +¼ |
| 33⅝ | 15¾ | AdmMl | .48 | 1.7 | 16 | 13 | 28 | 27¾ | 27¾ | −⅜ |
| 20⅝ | 12⅛ | AdvSys | .45t | 9.4 | 14 | 78 | 15⅞ | 15½ | 15½ | −⅛ |
| 32⅞ | 12⅞ | AMD | | | | 1967 | 15¾ | 15½ | 13⅝ | −⅛ |
| 12⅝ | 6¼ | Adobe | | | | 226 | 6½ | 6⅛ | 6½ | +⅝ |
| 18⅝ | 13¾ | Adob pf 1.84 | | 12. | | 40 | 15⅞ | 15½ | 16⅛ | +⅛ |
| 20¼ | 16¼ | Adob pf 2.40 | | 14. | | 40 | 17⅝ | 17½ | 17¾ | +⅛ |
| 16⅝ | 9¼ | Advest | .12a | .8 | 16 | 76 | 13¾ | 13⅝ | 13⅝ | +⅛ |
| 66¼ | 49⅞ | AetnLf | 2.64 | 4.9 | 5 | 4448 | 54¾ | 53 | 54⅜ | +1¼ |
| 56⅝ | 51⅛ | AetL pf4.89e | | 8.8 | | 6 | 53 | 53 | 53 | |
| 28¾ | 12 | Ahmans | .45 | 2.3 | 9 | 4523 | 20½ | 19⅞ | 20¼ | +⅛ |
| 5¾ | 2⅝ | Aileen | | | 48 | 94 | 3¼ | 3⅛ | 3¼ | +¼ |
| 41⅝ | 27½ | AirPrd s | .80 | 2.2 | 455 | 1921 | 36¾ | 36⅜ | 20⅛ | −⅞ |
| 27¾ | 19 | AirbFrt | .60 | 1.8 | 22 | 14628 | u32 | 30¾ | 31½ | +6 |
| 20⅝ | 19¼ | Airlse n | | | | 68 | 16¼ | d18 | 19 | −¼ |
| 2 | ¼ | AlMoan | .60c | | | 145 | ⅜ | ⅜ | ⅝ | +1-32 |

Continued on Page 37

# NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 73⅝ | 47⅛ | SaraLe | 2 | 2.9 | 17 | 652 | 68¼ | 67½ | | |
| 42⅞ | 33⅝ | SgtWel 1.60 | | 3.8 | 17 | 28 | 41¾ | 41⅜ | 41¾ | |
| 19 | 16 | SaulRE .20 | | 1.2 | 43 | 8 | 16⅝ | 16⅝ | 16⅝ | +¼ |
| 23⅛ | 10½ | SavEP s .88 | | 4.1 | 11 | 194 | 21⅛ | 21 | 21¼ | −¼ |
| 14½ | 11 | SavE pf1.20 | | 10. | | 47 | 12¾ | 12⅝ | 12⅝ | +¼ |
| 5¾ | 1⅝ | Savin | | | | 740 | 2½ | 2⅛ | 2¼ | |
| 6½ | 3⅛ | Savin pf | | | | 25 | 3½ | 3½ | 3½ | |
| 42⅞ | 25⅝ | SCANA 2.24 | | 5.7 | 13 | 282 | 39⅝ | 39⅛ | 39⅝ | |
| 9⅛ | 8⅞ | Schfr n | | | | 70 | 9 | 8⅞ | 9 | |
| 88 | 53⅞ | SchrPld .80 | | 2.2 | 21 | 2209 | 82⅝ | 81⅛ | 82 | +⅜ |
| 37¾ | 27¼ | Schlmb 1.20 | | 3.6 | | 6903 | 33¾ | 33⅛ | 33⅝ | +¼ |
| 42⅞ | 20⅞ | TycoL s .40 | | 1.0 | 18 | 1666 | 41¾ | 40⅞ | 41⅛ | −¼ |
| 17¾ | 11¼ | Tyler | .40 | 5.2 | 18 | 72 | 12¾ | 12½ | 12½ | +⅛ |
| | | **U U U** | | | | | | | | |
| 64¾ | 46¼ | UAL | 1 | 1.7 | | 2688 | 58½ | 56⅞ | 58 | +1¼ |
| 28⅞ | 13½ | UCCEL | | | 24 | 740 | 24 | 22 | 23¾ | +1¾ |
| 28¾ | 14⅞ | UDC s | .9 | 9.4 | 6 | 376 | 21¾ | 21⅛ | 21⅜ | −⅛ |
| 28¼ | 20 | UGI | 2.04 | 7.6 | | 193 | 27⅛ | 26⅝ | 27⅛ | +¼ |
| 13¾ | 8⅞ | UNCInc | | | 18 | 14 | 10 | 9⅞ | 10 | +⅛ |
| 28⅝ | 27 | UNUM s | | | | 2380 | 27⅝ | 27¼ | 27½ | +¼ |
| 18⅜ | 11 | URS | .25r | 1.4 | | 401 | 17⅝ | 17⅛ | 17½ | −⅛ |
| | | **X Y Z** | | | | | | | | |
| 72¼ | 46⅝ | Xerox | 3 | 5.1 | 13 | 2962 | 59⅝ | 58⅛ | 58⅝ | −¼ |
| 58¼ | 54 | Xerox pf5.45 | | 9.5 | | 34 | 57⅝ | 57¼ | 57⅜ | |
| 28¾ | 20¾ | XTRA | .64 | 2.7 | | 84 | 23½ | 23⅛ | 23⅜ | +¼ |
| 18¾ | 13½ | Yorkin n | | | | 131 | 17¾ | 17¼ | 17½ | −¼ |
| 45¾ | 26½ | ZaleCp 1.40 | | 3.2 | | 485 | 44 | 43½ | 43¾ | +1 |
| 6⅞ | 2¼ | Zapata .03j | | | | 871 | 2½ | 2⅜ | 2½ | +⅛ |
| 43⅞ | 20¾ | Zayre s .32 | | 1.2 | 19 | 4836 | 27⅝ | 26⅝ | 27 | +¼ |
| 17 | 9¾ | Zemex .40 | | 3.5 | 12 | 51 | 11⅝ | 11½ | 11½ | +⅛ |
| 29⅞ | 17⅜ | ZenithE | | | | 419 | 20⅝ | 20¼ | 20⅜ | |
| 18¼ | 6 | ZenLb s | | | 66 | 1569 | 11 | 10 | 10½ | +⅛ |
| 22⅝ | 12⅞ | Zero s | .29 | 2.0 | 15 | 68 | 14⅞ | 14⅛ | 14½ | −¼ |
| 45¾ | 32¾ | Zurnin 1.32 | | 3.4 | 15 | 198 | 38⅝ | 38⅛ | 38⅝ | −½ |
| 10¾ | 9½ | Zweig n | | | | 366 | 9¾ | 9⅝ | 9¾ | |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE CLOSING PRICES

*Closing prices, November 14*

# OVER-THE-COUNTER

*Nasdaq national market, closing prices November 14*



Continued on Page 35

# CURRENCIES, MONEY & CAPITAL MARKETS

## FOREIGN EXCHANGES

# Dollar left still looking for clues

By Jonas Crosland

A WEEK is a long time in the foreign exchange market. Seven days ago sentiment for the week ahead looked a little more rosy for the dollar. Unemployment figures were generally better than expected; the dollar had weathered out President Reagan's election rebuff in the Senate while a cut in the Japanese discount rate gave the dollar a brief fillip.

In the week that followed the dollar proceeded to lose over five pfennigs against the D-Mark with attention appearing to focus on Friday's release of the notoriously erratic US retail sales figure. It is hard to believe that this one figure could make all that much difference which tends to suggest that hopes of a stabilising or even modestly rising dollar were possibly a little unwise.

This would probably be the case if the problems of a very large budget deficit and trade deficit were the only factors around. However the dollar historically starts to improve between now and the end of the year. Even in 1985 after the Group of Five decision to supress the dollar's value, it was little changed between mid-November and mid-December. The amount of downward pressure on the dollar then is unlikely to be repeated as strongly this year which may result in the dollar acting in apparent contradiction to economic trends.

The dollar's fall against the Japanese yen was probably not quite as bad as against the D-Mark. Together with persistent corporate demand at the lower levels, speculators were becoming increasingly wary as the prospect of central bank intervention entered the equation. Previous attempts have shown that central bank intervention cannot reverse trends single handed but in a market not renowned for its calm and relaxed attitude, there was also the possibility of receiving severely burnt fingers, caught short in a rising market. There was also uncertainty about the exact implications of the agreement reached between Mr Kiichi Miyazawa, Japanese Finance Minister and James Baker, US Treasury Secretary.

While comforted to some exteot by an uodertaking not to talk the dollar down, suggestions that concerted action would be takeo to stabilise market conditions created a problem, sioce speculators immediately assumed that a set range for the dollar/yeo had been established and not unnaturally were keen to find oot what that was.

This week sees the release of more US ecooomic statistics with capacity utilisatioo and business iovestories due today, housing starts and revised third quarter GNP figures on Wednesday as well as personal income and consumptioo oo Thursday.

Last Friday's release of US retail sales showing a fall of 5 per cent was broadly in lioe with expectations while a rise in non-auto sales of 0.2 per cent provided some comfort.

Industrial production, perhaps the most important statistic released on Friday showed an unchanged rate in October after September's 0.1 per cent gain. This was below expectations and left the market facing iodifferent retail sales and industrial production and a mildly inflationary producer price iodex. Not unnaturally the dollar faled to make mnch headway of the weekeod and this week will probably find trader and iovestors alike still looking for some clue ou where the US ecooomy and ultimately the dollar are heading.

### £ IN NEW YORK

| Nov 14 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.4285-1.4295 | 1.4265-1.4275 |
| 1 month | 0.61-0.60 pm | 0.57-0.56 pm |
| 3 months | 1.78-1.76 pm | 1.81-1.78 pm |
| 12 months | 6.44-6.36 pm | 6.50-6.40 pm |

Forward premiums and discounts apply to the U.S. dollar.

### STERLING INDEX

| | Nov. 14 | Previous |
|---|---|---|
| 8.30 am | 68.2 | 68.5 |
| 9.00 am | 68.3 | 68.2 |
| 10.00 am | 68.3 | 68.0 |
| 11.00 am | 68.4 | 68.0 |
| Noon | 68.3 | 68.1 |
| 1.00 pm | 68.3 | 68.1 |
| 2.00 pm | 68.2 | 68.0 |
| 3.00 pm | 68.4 | 68.1 |
| 4.00 pm | 68.3 | 68.2 |

### CURRENCY MOVEMENTS

| November 14 | Bank of England Index | Morgan Guaranty Changes % |
|---|---|---|
| Sterling | 68.3 | -25.2 |
| U.S. Dollar | 110.7 | +2.7 |
| Canadian Dollar | 77.4 | -12.6 |
| Austrian Schilling | 133.8 | +9.2 |
| Belgian Franc | 97.5 | -5.6 |
| Danish Kroner | 89.9 | +2.4 |
| Deutsche Mark | 142.8 | +19.8 |
| Swiss Franc | 167.5 | +21.2 |
| Guilder | 131.1 | +13.1 |
| French Franc | 70.9 | -12.5 |
| Lira | 48.3 | -15.5 |
| Yen | 206.2 | +52.5 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

### CURRENCY RATES

| Nov. 14 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | 0.842997 | 0.724889 |
| U.S. Dollar | 5.5 | 1.20321 | 1.03405 |
| Canadian $ | 8.58 | — | 1.43124 |
| Austrian Sch. | 4 | N/A | 14.6598 |
| Belgian Franc | 8 | 50.3604 | 43.3217 |
| Danish Kroner | 7 | 9.13236 | 7.86088 |
| Deutsche Mark | 3½ | 2.42062 | 2.08383 |
| Neth. Guilder | 4½ | 2.73738 | 2.35465 |
| French Franc | 9½ | 7.93878 | 6.82580 |
| Italian Lira | 12 | N/A | 1442.76 |
| Japanese Yen | 3 | 193.957 | 167.258 |
| Norway Krone | 8 | 9.00242 | 7.75438 |
| Spanish Peseta | — | 162.762 | 139.908 |
| Swedish Krona | 7½ | 8.34185 | 7.17117 |
| Swiss Franc | 4 | 2.00816 | 1.72791 |
| Greek Drach. | 20½ | 166.163 | 142.999 |
| Irish Punt | — | 0.889619 | 0.764551 |

* CS/SDR rate for Nov. 13; 1.66289

### OTHER CURRENCIES

| Nov. 14 | £ | $ |
|---|---|---|
| Argentina | 1.6275-1.6345 | 1.1380-1.1420 |
| Australia | 2.2095-2.2135 | 1.5475-1.5495 |
| Brazil | 20.04-20.07 | 14.02-14.09 |
| Finland | 7.0215-7.0430 | 4.9240-4.9270 |
| Greece | 195.22-198.65 | 136.89-139.20 |
| Hong Kong | 11.1480-11.1665 | 7.7985-7.8005 |
| Iran | 110.30* | 77.50* |
| Kuwait | 0.4175-0.4185 | 0.29280-0.29300 |
| Luxembourg | 59.75-59.85 | 41.80-41.90 |
| Malaysia | 3.7360-3.7455 | 2.6155-2.6165 |
| N. Zealand | 2.7565-2.7665 | 1.9305-1.9360 |
| Saudi Ar. | 5.3505-5.3560 | 3.7495-3.7505 |
| Singapore | 3.1355-3.1430 | 2.1920-2.1940 |
| S. Af. (Cm) | 3.1640-3.1880 | 2.2225-2.2275 |
| S. Af. (Fn) | 6.8365-6.0855 | 4.0815-4.2555 |
| U.A.E. | 5.2405-5.2460 | 3.6725-3.6735 |

* Selling rate.

### FORWARD RATES AGAINST STERLING

| | Spot | 1 mth | 3 mths | 6 mths | 12 mths |
|---|---|---|---|---|---|
| US Dollar | 1.4295 | 1.4240 | 1.4118 | 1.3951 | 1.3665 |
| D-mark | 2.8625 | 2.8478 | 2.8172 | 2.7746 | 2.6956 |
| French Fr. | 9.3809 | 9.3698 | 9.3228 | 9.2690 | 9.1579 |
| Swiss Fr. | 2.3750 | 2.3599 | 2.3327 | 2.2933 | 2.2175 |
| Yen | 230.75 | 229.53 | 227.09 | 224.61 | 217.42 |

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu November 14 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 43.1139 | 43.3217 | +0.48 | +1.09 | ± 1.5368 |
| Danish Krone | 7.81701 | 7.86088 | +0.56 | +1.17 | ± 1.6403 |
| German D-Mark | 2.11083 | 2.08383 | −1.28 | −0.67 | ± 1.1127 |
| French Franc | 6.87316 | 6.82580 | −0.69 | −0.08 | ± 1.3659 |
| Dutch Guilder | 2.37833 | 2.35465 | −1.00 | −0.39 | ± 1.5059 |
| Irish Punt | 0.764976 | 0.764551 | −0.06 | +0.55 | ± 1.6683 |
| Italian Lira | 1476.95 | 1442.76 | −2.31 | −1.99 | ± 4.0734 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### EXCHANGE CROSS RATES

| Nov 14 | £ | $ | DM | YEN | F Fr. | S Fr. | H FL | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.430 | 2.863 | 230.8 | 9.380 | 2.375 | 3.235 | 1984. | 1.998 | 59.80 |
| $ | 0.700 | 1 | 2.003 | 161.5 | 6.563 | 1.662 | 2.263 | 1388. | 1.398 | 41.85 |
| DM | 0.349 | 0.499 | 1 | 80.61 | 3.277 | 0.830 | 1.130 | 692.9 | 0.698 | 20.89 |
| YEN | 4.334 | 6.195 | 12.41 | 1000 | 40.65 | 10.29 | 14.02 | 8596. | 8.659 | 259.2 |
| F Fr. | 1.066 | 1.524 | 3.052 | 246.0 | 10 | 2.532 | 3.449 | 2115. | 2.130 | 63.75 |
| S Fr. | 0.421 | 0.602 | 1.205 | 97.16 | 3.949 | 1 | 1.362 | 835.2 | 0.841 | 25.18 |
| H FL | 0.309 | 0.442 | 0.885 | 71.33 | 2.900 | 0.734 | 1 | 613.1 | 0.618 | 18.49 |
| Lira | 0.504 | 0.721 | 1.443 | 116.3 | 4.729 | 1.197 | 1.631 | 1000 | 1.007 | 30.16 |
| C $ | 0.501 | 0.715 | 1.433 | 115.5 | 4.695 | 1.189 | 1.619 | 992.7 | 1 | 29.93 |
| B Fr. | 1.672 | 2.390 | 4.787 | 385.9 | 15.69 | 3.972 | 5.410 | 3317. | 3.341 | 100 |

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

### EURO-CURRENCY INTEREST RATES

| Nov. 14 | Short term | 7 Days' notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 10¼-10⅜ | 10½-10⅝ | 10¾-10⅞ | 11 3/16-11 5/16 | 11 3/16-11 5/16 | 11 3/16-11 5/16 |
| U.S. Dollar | 5⅞-6 | 5⅞-6 | 5 13/16-6 1/16 | 5 13/16-6 1/16 | 5 13/16-6 1/16 | 6 1/16-6 3/16 |
| Can. Dollar | 8-8½ | 8-8½ | 8 5/16-8 9/16 | 8¼-8½ | 8 5/16-8 11/16 | 8 11/16-8 15/16 |
| D. Guilder | 5¼-5⅜ | 5½-5⅝ | 5½-5⅝ | 5½-5⅝ | 5 7/16-5 9/16 | 5 7/16-5 9/16 |
| Sw. Franc | ¾-1 | ¾-1 | 2 13/16-3 1/16 | 3¼-3⅜ | 3 13/16-3 15/16 | 3 13/16-3 15/16 |
| Deutschmark | 4¼-4½ | 4⅜-4½ | 4½-4⅝ | 4⅝-4¾ | 4 9/16-4 11/16 | 4⅝-4¾ |
| Fr. Franc | 7½-7¾ | 7⅝-7⅞ | 7⅝-8⅛ | 8¼-8⅝ | 8⅜-8⅝ | 8⅝-8⅞ |
| Italian Lire | 9-10 | 9-10 | 10¼-10⅝ | 10½-10⅞ | 10½-10⅞ | 10½-10¾ |
| B. Fr. (Fin.) | 7-7¼ | 7-7¼ | 7⅝-7⅞ | 7 3/16-7 5/16 | 7 3/16-7 5/16 | 7 3/16-7 5/16 |
| B. Fr. (Con.) | 6¾-7¼ | 7-7½ | 7-7½ | 7½-7⅞ | 7¼-7⅝ | 7¼-7⅝ |
| Yen | 4¼-4⅜ | 4¼-4⅜ | 4⅜-4½ | 4⅝-4 13/16 | 4⅝-4 13/16 | 4⅝-4 13/16 |
| D. Krone | 9¼-9⅝ | 9½-10 | 9⅝-10⅛ | 10-10½ | 10⅛-10⅝ | 10⅜-10⅞ |
| Asian $ (Sing.) | 6-6⅛ | 6-6⅛ | 6-6⅛ | 6-6⅛ | 6-6⅛ | 6 1/16-6 3/16 |

Long-term Eurodollars: Two years 6 11/16-6 13/16 per cent; three years 7¼-7½ per cent; four years 7⅝-7⅞ per cent; five years 7⅞-8⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### POUND SPOT—FORWARD AGAINST THE POUND

| Nov. 14 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.4220-1.4315 | 1.4290-1.4300 | 0.57-0.54c pm | 4.66 | 1.79-1.76 pm | 4.97 |
| Canada | 1.9722-1.9798 | 1.9775-1.9785 | 0.42-0.33c pm | 2.28 | 1.30-1.17 pm | 2.54 |
| Netherlands | 3.23-3.24½ | 3.23-3.24 | 1½-1¼c pm | 5.33 | 4⅝-4⅜ pm | 5.56 |
| Belgium | 59.59-59.85 | 59.75-59.85 | 20-15c pm | 3.51 | 60-51 pm | 3.71 |
| Denmark | 10.82½-10.87 | 10.86-10.87 | 1-¾ore pm | 0.76 | 2½-1⅞ pm | 0.83 |
| Ireland | 1.0500-1.0560 | 1.0510-1.0520 | 0.16-0.34p dis | −2.85 | 0.56-0.84 dis | −2.64 |
| W. Germany | 2.85¾-2.87¾ | 2.85¾-2.86¾ | 1½-1⅜pf pm | 6.29 | 4¼-4⅛ pm | 6.38 |
| Portugal | 211.25-212.64 | 211.70-212.64 | 78-125c dis | −5.75 | 215-365 dis | −5.47 |
| Spain | 192.78-193.70 | 192.78-193.12 | 6-42c dis | −1.49 | 25-111 dis | −1.41 |
| Italy | 1981¼-1991½ | 1983-1984 | 2pm-1 lire dis | 0.30 | 3-par pm | 0.30 |
| Norway | 10.64¾-10.71¾ | 10.68-10.69 | 2¾-3¾ore dis | −3.44 | 9½-10¾ dis | −3.67 |
| France | 9.37½-9.42½ | 9.37½-9.38½ | 2¼-1¼c pm | 2.24 | 6¼-5¾ pm | 2.24 |
| Sweden | 9.88½-9.91 | 9.88¾-9.89¾ | 1⅜-1⅛ ore pm | 1.82 | 5⅞-5¼ pm | 2.24 |
| Japan | 229¾-231¼ | 230¼-231¼ | 1⅞-1¾y pm | 7.80 | 3⅞-3⅝ pm | 6.50 |
| Austria | 20.18-20.25 | 20.22-20.25 | 9¾-8¼gro pm | 5.49 | 28⅝-24⅝ pm | 5.25 |
| Switzerland | 2.37-2.38¾ | 2.37-2.38 | 1⅜-1¼ c pm | 7.58 | 4⅜-4¼ pm | 7.16 |

Belgian rate is for convertible francs. Financial franc 60.15-60.25. Six-month forward dollar 3.47-3.42 c pm. 12-month 6.45-6.35 c pm

### DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

| Nov. 14 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.4220-1.4315 | 1.4290-1.4300 | 0.57-0.54c pm | 4.66 | 1.79-1.76 pm | 4.97 |
| Ireland† | 1.3500-1.3605 | 1.3595-1.3605 | 1.00-0.90c pm | 8.41 | 2.85-2.60 pm | 8.04 |
| Canada | 1.3835-1.3841 | 1.3835-1.3845 | 0.26-0.29c dis | −2.38 | 0.84-0.89 dis | −2.50 |
| Netherlands | 2.2590-2.2800 | 2.2630-2.2640 | 0.11-0.09c pm | 0.53 | 0.34-0.31pm | 0.57 |
| Belgium | 41.77-41.95 | 41.80-41.90 | 3-5c dis | −1.58 | 12-16 dis | −1.34 |
| Denmark | 7.58-7.61½ | 7.59¾-7.60¾ | 1.70-2.20ore dis | −3.08 | 6.80-7.30 dis | −3.71 |
| W. Germany | 2.0010-2.0190 | 2.0025-2.0035 | 0.27-0.24pf pm | 1.52 | 0.71-0.66 pm | 1.36 |
| Portugal | 148-148¾ | 148-148¼ | 135-145c dis | −10.50 | 340-440 dis | −10.50 |
| Spain | 134.70-135.70 | 134.70-134.80 | 65-80c dis | −6.43 | 200-230 dis | −6.36 |
| Italy | 1387-1397 | 1387¼-1387¾ | 5-6lire dis | −4.74 | 16-17½dis | −4.81 |
| Norway | 7.46-7.51½ | 7.47¼-7.47¾ | 5.20-5.50ore dis | −8.58 | 16.45-16.75dis | −8.87 |
| France | 6.57¼-6.61 | 6.56-6.56½ | 1.05-1.20c dis | 2.05 | 4.00-4.40 dis | −2.55 |
| Sweden | 6.91¼-6.95 | 6.91¼-6.92¼ | 1.55-1.75 ore dis | −2.86 | 4.55-4.85 dis | −2.71 |
| Japan | 161.25-162.15 | 161.40-161.50 | 0.25-0.21 y pm | 1.71 | 0.60-0.55 pm | 1.42 |
| Austria | 14.09-14.19¼ | 14.09-14.09½ | 1.10-0.60gro pm | 0.69 | 1.75-0.25dis | 0.20 |
| Switzerland | 1.6595-1.6770 | 1.6615-1.6625 | 0.44-0.39 c pm | 2.98 | 0.95-0.88 pm | 2.17 |

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.05-42.15. Correction for Nov. 13, West German close 2.0095-2.0105

### LIFFE LONG GILT FUTURES OPTIONS

| Strike Price | Calls—Last Dec. | Calls—Last Mar. | Puts—Last Dec. | Puts—Last Mar. |
|---|---|---|---|---|
| 106 | 2.12 | 3.53 | 0.04 | 1.35 |
| 108 | 0.44 | 2.45 | 0.36 | 2.27 |
| 110 | 0.06 | 1.52 | 1.62 | 3.34 |
| 112 | 0.00 | 1.10 | 3.56 | 4.56 |
| 114 | 0.00 | 0.45 | 5.56 | 6.27 |
| 116 | 0.00 | 0.26 | 7.56 | 8.08 |
| 118 | 0.00 | 0.14 | 9.56 | 9.60 |
| 120 | 0.00 | 0.07 | 11.56 | 11.53 |

Estimated volume total, Calls 2,597 Puts 610
Previous day's open int. Calls 24,656 Puts 7,712

### LIFFE US TREASURY BOND FUTURES OPTIONS

| Strike Price | Calls—Last Dec. | Calls—Last Mar. | Puts—Last Dec. | Puts—Last Mar. |
|---|---|---|---|---|
| 88 | 9.14 | 8.45 | 0.00 | 0.19 |
| 90 | 7.14 | 6.62 | 0.00 | 0.36 |
| 92 | 5.14 | 5.25 | 0.00 | 0.63 |
| 94 | 3.14 | 4.02 | 0.00 | 1.40 |
| 96 | 1.14 | 2.57 | 0.06 | 2.31 |
| 98 | 0.00 | 1.63 | 0.50 | 3.37 |
| 100 | 0.00 | 1.20 | 2.50 | 4.58 |
| 102 | 0.00 | 0.53 | 4.50 | 6.27 |

Estimated volume total, Calls 126 Puts 202
Previous day's open int. Calls 980 Puts 1,126

### LIFFE FT-SE 100 INDEX FUTURES OPTIONS

| Strike Price | Calls—Last Nov. | Calls—Last Dec. | Puts—Last Nov. | Puts—Last Dec. |
|---|---|---|---|---|
| 15500 | — | 9.23 | — | 0.58 |
| 15750 | 6.18 | 7.20 | 0.03 | 1.05 |
| 16000 | 3.84 | 5.41 | 0.19 | 1.76 |
| 16250 | 1.92 | 3.90 | 0.77 | 2.75 |
| 16500 | 0.71 | 2.69 | 2.06 | 4.04 |
| 16750 | 0.18 | 1.76 | 4.03 | 5.61 |
| 17000 | 0.03 | 1.10 | 6.38 | 7.45 |
| 17250 | 0.00 | 0.66 | 8.85 | 9.51 |

Estimated volume total, Calls 15, Puts 72
Previous day's open int. Calls 582, Puts 474

### LIFFE £/$ OPTIONS
£25,000 (cents per £1)

| Strike Price | Calls—Last Nov. | Dec. | Jan. | Mar. | Puts—Last Nov. | Dec. | Jan. | Mar. |
|---|---|---|---|---|---|---|---|---|
| 1.30 | 13.00 | 13.00 | 13.00 | 13.00 | — | — | 0.05 | 0.47 |
| 1.35 | 8.00 | 8.00 | 0.00 | 8.00 | — | 0.05 | 0.40 | 1.42 |
| 1.40 | 3.00 | 3.16 | 3.53 | 4.01 | — | 0.71 | 1.67 | 3.29 |
| 1.45 | — | 0.70 | 1.27 | 1.95 | 2.00 | 3.25 | 4.41 | 6.23 |
| 1.50 | — | 0.07 | 0.32 | 0.81 | 7.00 | 7.62 | 8.46 | 10.09 |
| 1.55 | — | — | — | 0.29 | 12.00 | 12.55 | — | 14.57 |
| 1.60 | — | — | — | 0.09 | 17.00 | 17.55 | — | 19.37 |

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 2,790 Puts 2,999

### LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

| Strike Price | Calls—Last Nov. | Dec. | Jan. | Mar. | Puts—Last Nov. | Dec. | Jan. | Mar. |
|---|---|---|---|---|---|---|---|---|
| 1.35 | 7.90 | 7.90 | 7.90 | 7.90 | 0.25 | 0.25 | 0.65 | 1.60 |
| 1.40 | 2.90 | 3.15 | 3.65 | 4.15 | 0.25 | 0.85 | 1.85 | 3.40 |
| 1.45 | 0.25 | 0.70 | 1.30 | 1.95 | 2.50 | 3.50 | 4.70 | 6.40 |
| 1.50 | 0.25 | 0.25 | — | 0.85 | 7.70 | 8.15 | — | 10.90 |
| 1.55 | 0.25 | 0.25 | — | 0.45 | 13.70 | 13.70 | — | 16.10 |
| 1.60 | — | 0.25 | — | 0.25 | — | 18.70 | — | 20.90 |
| 1.65 | — | 0.70 | — | 1.50 | — | 18.70 | — | 20.20 |

Previous day's open int: Calls 2,412, Puts 1,012
Volume: 5

### PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

| Strike Price | Calls—Last Nov. | Dec. | Jan. | Mar. | Puts—Last Nov. | Dec. | Jan. | Mar. |
|---|---|---|---|---|---|---|---|---|
| 1.30 | 12.70 | 12.70 | 12.70 | 12.70 | — | — | 0.05 | 0.40 |
| 1.35 | 7.80 | 7.80 | 7.80 | 7.90 | — | 0.05 | 0.40 | 1.30 |
| 1.40 | 2.80 | 3.10 | 3.60 | 4.10 | — | 0.50 | 1.70 | 2.90 |
| 1.45 | — | 0.55 | 1.10 | 1.85 | 1.90 | 3.00 | 4.30 | 5.90 |
| 1.50 | — | 0.05 | 0.25 | 0.60 | 6.80 | 7.25 | 8.00 | 9.50 |
| 1.55 | — | — | — | 0.20 | 11.80 | 12.20 | — | 13.90 |
| 1.60 | — | — | — | 0.05 | 16.80 | 17.20 | — | 18.60 |

Previous day's open int: Calls 64869 Puts 89934
Previous day's volume, Calls 2381 Puts 231

### LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

| Strike Price | Calls—Last Dec. | Mar. | June | Sept. | Puts—Last Dec. | Mar. | June | Sept. |
|---|---|---|---|---|---|---|---|---|
| 93.00 | 0.92 | 1.00 | 0.99 | — | 0.00 | 0.04 | 0.11 | — |
| 93.25 | 0.67 | 0.78 | 0.79 | — | 0.00 | 0.07 | 0.16 | — |
| 93.50 | 0.43 | 0.58 | 0.61 | — | 0.01 | 0.12 | 0.25 | — |
| 93.75 | 0.22 | 0.41 | 0.45 | — | 0.05 | 0.20 | 0.32 | — |
| 94.00 | 0.08 | 0.26 | 0.32 | — | 0.16 | 0.30 | 0.44 | — |
| 94.25 | 0.02 | 0.16 | 0.21 | — | 0.35 | 0.45 | 0.58 | — |
| 94.50 | 0.00 | 0.08 | 0.13 | — | 0.58 | 0.62 | 0.75 | — |

Previous day's open int: Calls 1,568 Puts 1,884
Estimated volume, Calls 185 Puts 135

## LONDON

### 20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 108-04 | 108-16 | 108-02 | 107-26 |
| March | 108-09 | 108-16 | 108-10 | 107-31 |
| June | 108-09 | — | — | 107-31 |

Est volume 18,213 (23,645)
Previous day's open int. 17,494 (17,360).

### 10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 94-40 | 95-52 | 95-35 | 95-31 |
| March | 95-42 | — | — | 95-33 |

Est Volume 115 (138)
Previous day's open int. 900 (825)

### THREE-MONTH STERLING
£500,000 points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 88.74 | 88.81 | 88.69 | 88.69 |
| March | 89.01 | 89.08 | 88.98 | 89.00 |
| June | 89.29 | 89.34 | 89.22 | 89.27 |
| Sept. | 89.27 | 89.31 | 89.23 | 89.28 |
| Dec. | 89.03 | — | — | 89.00 |
| March | 88.78 | — | — | 88.73 |

Est Volume 2,983 (7,239)
Previous day's open int 14,452 (13,528)

### FT-SE 100 INDEX
£25 per full index point

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 163.65 | 164.00 | 163.20 | 163.80 |
| March | 166.45 | 166.70 | 166.20 | 166.65 |

Estimated volume 277 (691)
Previous day's open int. 2,708 (2,578)

### THREE-MONTH EURODOLLAR
$1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 93.92 | 93.94 | 93.90 | 93.94 |
| March | 93.96 | 93.97 | 93.93 | 93.97 |
| June | 93.88 | 93.88 | 93.85 | 93.88 |
| Sept. | 93.65 | 93.66 | 93.61 | 93.65 |
| Dec. | 93.31 | 93.30 | 93.30 | 93.31 |
| March | 92.93 | — | — | 92.93 |
| June | 92.54 | — | — | 92.54 |
| Sept. | 92.17 | — | — | 92.17 |

Estimated volume 3,867 (3,798)
Previous day's open int. 26,329 (26,291)

### U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 97.07 | 97.14 | 96.27 | 97.09 |
| March | 96.13 | 96.06 | 96.05 | 96.15 |
| June | 95.16 | — | — | 95.18 |

Estimated Volume 4,338 (3,396)
Previous day's open int. 4,731 (4,984)

### CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.4295 | 1.4240 | 1.4118 | 1.3951 | 1.3665 |

### IMM—STERLING $s per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec. | 1.4250 | 1.4275 | 1.4190 | 1.4204 |
| Mar. | 1.4075 | 1.4120 | 1.4020 | 1.4030 |
| June | 1.3900 | 1.4020 | 1.3900 | 1.3855 |

### LIFFE—STERLING £25,000 $ per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec. | 1.4245 | 1.4250 | 1.4225 | 1.4167 |
| Mar. | 1.4072 | 1.4072 | 1.4072 | 1.3990 |
| June | 1.3902 | — | — | 1.3832 |

Estimated volume 33 (74)
Previous day's open int 1,546 (1,609)

## CHICAGO

### U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 98-05 | 98-09 | 93-02 | 93-08 |
| March | 97-09 | 97-13 | 96-06 | 96-12 |
| June | 96-12 | 96-15 | 95-08 | 95-14 |
| Sept. | 95-16 | 95-27 | 94-19 | 94-17 |
| Dec. | 94-21 | 94-24 | 93-26 | 93-22 |
| March | 93-28 | 93-31 | 93-07 | 92-29 |
| June | 93-05 | 93-08 | 92-24 | 92-06 |
| Sept. | — | — | — | 91-17 |
| Dec. | 91-28 | — | — | 90-29 |
| March | 91-10 | — | — | 89-27 |

### U.S. TREASURY BILLS (IMM)
$1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 94.71 | 94.73 | 94.64 | 94.68 |
| March | 94.77 | 94.78 | 94.71 | 94.72 |
| June | 94.74 | 94.74 | 94.69 | 94.70 |
| Sept. | 94.54 | 94.55 | 94.59 | 94.50 |
| Dec. | 94.23 | 94.23 | 94.38 | 94.19 |

### THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 93.97 | 93.98 | 93.88 | 93.90 |
| Mar. | 94.00 | 94.01 | 93.92 | 93.95 |
| June | 93.90 | 93.91 | 93.83 | 93.86 |
| Sept. | 93.66 | 93.67 | 93.60 | 93.62 |
| Dec. | 93.32 | 93.34 | 93.27 | 93.28 |
| Mar. | 92.93 | 92.95 | 92.87 | 92.89 |
| June | 92.54 | 92.55 | 92.48 | 92.50 |
| Sept. | 92.15 | 92.16 | 92.11 | 92.10 |

### JAPANESE YEN (IMM)
Y12.5m $ per Y100

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 0.6201 | 0.7008 | 0.6173 | 0.6021 |
| March | 0.6222 | 0.6228 | 0.6196 | 0.6041 |
| June | 0.6248 | 0.6247 | 0.6220 | 0.6266 |

### DEUTSCHE MARK (IMM)
DM125,000 $ per DM

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 0.4998 | 0.5003 | 0.4918 | 0.4976 |
| March | 0.5015 | 0.5020 | 0.4977 | 0.4993 |
| June | 0.5033 | 0.5036 | 0.5007 | 0.5011 |

## MONEY MARKETS

# Sterling's vulnerability leaves its mark

CLOSER SCRUTINY of the Autumn Statement and subsequent comments by Mr Nigel Lawson, Chancellor of the Exchequer, appeared to have the same effect as showing a red rag to a bull in the London money market last week. Remarks about using higher interest rates to defend sterling planted as many seeds of uncertainty as hopes of sterling receiving the support it may evidently need. Inspired by the dollar's rapid decline, the pound obligingly lost nearly 2 per cent of its value at one point and so raised the possibility of another rise in base rates.

**UK clearing bank base lending rate 11 per cent since October 15**

This had a predictable effect on the yield curve which in the earlier part of the week had shown little difference between one month and one year money. By the end of the week a true curve had developed with a differential of nearly half a point.

Any chink of optimism that may have shown through the previous week when the Conservative Party edged ahead of the Labour Party in opinion polls and rumours abounded of higher or at least stable oil prices, effectively vanished. However, despite the apparent turnaround in sentiment, the mood of the market appeared to be one of uncertainty.

Gilt prices became a barometer of the market's disenchantment, falling four out of five days, breaking through important support levels in the financial futures market and recording record volume on Thursday. Friday saw prices bounce back after Thursday's bloodbath, helped in a modest way by a smaller than expected rise in October retail prices to give an unchanged year on year inflation rate of 3 per cent. Other factors which could assume critical importance include Opec's ability to agree some workable arrangement on output and prices. Calls for an $18 barrel would clearly boost sterling if realised.

This week sees the release of UK money supply figures and bank lending. Both are seen as crucial in determining whether interest rates have any chance of maintaining current levels

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Nov.14) 3 months U.S. dollars | | 6 months U.S. dollars | |
|---|---|---|---|
| bid 5 15/16 | Offer 6 1/16 | bid 5 15/16 | Offer 6 1/16 |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### BANK OF ENGLAND TREASURY BILL TENDER

| | Nov. 14 | Nov.7 | | Nov. 14 | Nov.7 |
|---|---|---|---|---|---|
| Bills on offer | £100m | £100m | Top accepted rate of discount | 10.6692% | 10.5890% |
| Total of applications | £456.2m | £450m | Average rate of discount | 10.6388% | 10.5680% |
| Total allocated | £100m | £100m | Average yield | 10.93% | 10.85% |
| Minimum accepted bid | £97.34 | £97.36 | Amount on offer at next tender | £100m | £100m |
| Allotment at minimum level | 99% | 21% | | | |

### WEEKLY CHANGE IN WORLD INTEREST RATES

| | Nov. 14 | change | | Nov. 14 | change |
|---|---|---|---|---|---|
| LONDON | | | NEW YORK | | |
| Base rates | 11 | Unch'd | Prime rates | 7½ | Unch'd |
| 7 day interbank | 10 9/16 | +⅛ | Federal Funds | 5⅞ | Unch'd |
| 3 month interbank | 11¼ | +⅛ | 3 Mth. Treasury Bills | 5.53 | +0.09 |
| Treasury Bill Tender | 10.6388 | +0.0708 | 6 Mth. Treasury Bills | 5.68 | +0.05 |
| Band 1 Bills | 10⅞ | Unch'd | 3 Mth. C D | 5.80 | Unch'd |
| Band 2 Bills | 10 13/16 | Unch'd | FRANKFURT | | |
| Band 3 Bills | 10¾ | Unch'd | Lombard | 5.5 | Unch'd |
| Band 4 Bills | 10 11/16 | Unch'd | One mth. interbank | 4.525 | +0.05 |
| 3 Mth. Treasury Bill | 10 11/16 | Unch'd | Three month | 4.675 | −0.10 |
| 1 Mth. Bank Bills | 10¾ | −1/16 | PARIS | | |
| 3 Mth. Bank Bills | 10 13/16 | +1/16 | Intervention Rate | 7.00 | Unch'd |
| TOKYO | | | One mth. interbank | 7½ | +⅛ |
| One month Bills | 4.34375 | +0.125 | Three month | 7 11/16 | +⅛ |
| Three month Bills | 4.34375 | +0.0625 | MILAN | | |
| BRUSSELS | | | One month | 11⅛ | +⅛ |
| One month | 7⅛ | −⅛b'd | Three month | 11⅛ | Unch'd |
| Three month | 7⅜ | Unch'd | DUBLIN | | |
| AMSTERDAM | | | One month | 13⅞ | +⅛ |
| One month | 5 9/16 | +⅛ | Three month | 14 | +⅛ |
| Three month | 5 9/16 | +⅛ | | | |

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

### MONEY RATES

**NEW YORK (4 pm)**

| | |
|---|---|
| Prime rate | 7½ |
| Broker loan rate | 6¾-7 |
| Fed. funds | 5⅞ |
| Fed. funds at intervention | — |

**Treasury Bills and Bonds**

| | | | |
|---|---|---|---|
| One month | 5.07 | Three year | 6.50 |
| Two month | 5.14 | Four year | 6.71 |
| Three month | 5.53 | Five year | 6.81 |
| Six month | 5.67 | Seven year | 7.11 |
| One year | 5.82 | 10 year | 7.27 |
| Two year | 6.32 | 30 year | 7.52 |

| Nov. 14 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 4.40-4.45 | 4.45-4.60 | 4.60-4.75 | 4.60-4.75 | 4.60-4.75 | 5.5 |
| Paris | 7½ | 7⅛-7¼ | 7½-7⅝ | 7⅝-7¾ | 7 11/16-7 13/16 | 7 |
| Zurich | ⅞-1½ | 2 13/16-3 1/16 | — | 3 13/16-3 15/16 | — | — |
| Amsterdam | 5½-5⅝ | 5½-5⅝ | — | 5½-5⅝ | — | — |
| Tokyo | 3.84375 | 4.34375 | — | 4.34375 | — | — |
| Milan | 10⅝-11¼ | 10⅞-11⅜ | — | 11-11½ | — | — |
| Brussels | 6.65 | 7⅛-7¼ | — | 7⅜-7½ | — | — |
| Dublin | 12¾-13⅛ | 13⅝-14 | 13⅞-14¼ | 13⅞-14¼ | 13⅝-13⅞ | — |

### LONDON MONEY RATES

| Nov. 14 | Overnight | 7 days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank | 13-9¾ | 10⅝-10 | 10⅞-10¾ | 11⅛-11¼ | 11 3/16-11 5/16 | 11 3/16-11 5/16 |
| Sterling CDs | — | — | 10 13/16-10 11/16 | 11⅛-11 1/16 | 11⅛-11 | 11 3/16-10 15/16 |
| Local Authority Deposits | 10⅞ | 10⅞-10¾ | 10⅞-10 13/16 | 11⅛-⅞ | 11 3/16-11⅛ | 11 3/16-11⅛ |
| Local Authority Bonds | — | — | 11¼ | 11¼ | 11¼ | 11¼ |
| Discount Market Deposits | 11-9½ | 10 | 10¾ | 10¾ | — | — |
| Company Deposits | 10-8½ | 10½ | 11 | 11¼ | 11¼ | 11¼ |
| Finance House Deposits | — | — | 10¾ | 11¼ | 11¼ | 11⅜ |
| Treasury Bills (Buy) | — | — | 10¾ | 10 11/16 | — | — |
| Bank Bills (Buy) | — | — | 10¾ | 10 13/16 | 10 13/16 | — |
| Fine Trade Bills (Buy) | — | — | 11¼ | 11 13/16 | 11⅛ | — |
| Dollar CDs | — | — | 6.05-6.00 | 6.00-5.95 | 5.95-5.90 | 6.10-5.95 |
| SDR Linked Deposits | — | — | 6 13/16-6 1/16 | 6⅛-6 3/16 | 6⅜-6⅛ | 6⅜-6⅛ |
| ECU Linked Deposits | — | — | 7½-7⅜ | 7⅝-7½ | 7⅝-7½ | 7⅞-7⅛ |

Treasury Bills (sell); one-month 10⅝ per cent; three-months 10 9/16 per cent; Bank Bills (sell): one-month 10 11/16 per cent; three months 10 11/16 per cent; Treasury Bills: Average tender rate of discount 10.6388 p.c. ECGD Fixed Finance Scheme IV reference date October 8 to 31 (inclusive): 11.237 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 per cent from November 1, 1986: Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10¼ per cent; one-three months 11 per cent; three-six months 11¼ per cent; six-nine months 11¼ per cent; nine-12 months 11¼ per cent; Under £100,000 10¼ per cent from November 14. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5½ per cent.

# FINANCIAL TIMES SURVEY

# Italian Engineering

Recovery from recession and cuts in inflation have helped industry, but pay strife is raising fears of a return to instability and rising prices

## Risk of backward step

Leading figures in moves to assure the health of the economy and the engineering industry: (left to right) Romano Prodi, president of IRI; Valerio Zanone, Minister of Industry; Prime Minister Craxi; and Cesare Romiti, managing director of Fiat

COMMENTATORS ARE impressed by numbers. If corporate profits are soaring by 30 per cent or more, and if companies are raising billions of lire in Italy's booming stock market, then the country must be doing very well.

Recovery from recession has been as good as any in Europe and better than most. The economy is growing by 3 per cent or more a year and real personal incomes by nearly as much. The annual rata of inflation this year has fallen from 8.5 to 5.1 per cent and the Government thinks it can be held at 4 per cent next year, when total output should rise by 3.5 per cent.

Companies groaning under an almost impossible burden of debt in the late 1970s have face-lifted their balance sheets with a speed and efficiency that could not have been predicted.

Italian capitalism, while still immature in comparison with its British, French or German counterparts, is moving abroad in search of growth. A Ferruzi takeover in Britain or a De Benedetti acquisition in France is to most Italians as satisfying as, and far less dangerous than, a colonial adventure was to their grandparents.

However, countries rarely transform themselves in two or three years. The "new Italy" is different in some but not in every respect from the strike-ridden, high-inflation, terrorist-plagued, politically volatile and corrupt Italy of the 1970s.

Internal victories have been won over the terrorism of the Red Brigade. Economic recession and technological change hava weakened the trade union movement. Membership of the European Monetary System has been an important restraint on prices and reform of the scala mobile system of wage indexation another. The same prime

**By John Wyles**

*Rome Correspondent*

minister has occupied the Palazzo Chigi for more than three years and most of the key ministries have enjoyed a similar continuity.

Nevertheless, at this very moment the three great trade union confederations are looking unusually united in threatening a general strike, unless the Government adds L4,000bn to its social spending budget for next year. Six or seven industrial and public service sectors are being hit by strikes over national pay talks, the Governor of the Bank of Italy is warning that Italy's rate of price increases is still too far ahead of its main European rivals and Premier Bettino Craxi will make way next spring for a Christian Democrat.

Early elections may follow but whatever happens no-one should bet on political stability and continuity over the next 12 months.

This risk of a political step backwards towards the "old Italy" is a particular worry to industrialists and investors, domestic and foreign. Although the two Craxi governments could certainly have dooe more across a broad policy front, their efforts have, nooetheless, been much appreciated in the busioess world.

The Prime Minister's decision to confront the trade unions in 1984-85 over reforming the scala mobile was a very important step towards controlling inflation. The attempt by Mr Giovanni Goria, his Christian Democrat Treasury Minister, to promote a medium-term plan for reducing the public sector deficit could, if present policies are maintained, bring it down to 10 per cent of GDP by 1988.

This government, therefore, has credibility and has been good for confidence — that mysterious abstraction so necessary for investment decisions. Its successor may be no more than a weedy caretaker, bolding the fort until the next general elections in June 1988. They could be earlier if Mr Craxi, having returned to his task of running the Socialist Party, decides to exercise his crucial powers to make and break governments.

In the run-up to takeover by the Christian Democrats — the so-called "Staffetta" — the Craxi government is making a late dash for reform. Among the declarations of intent affecting everything from the bealth service and pensions to road transport, came one last month from Mr Valerio Zanone, the Minister of Industry, a Liberal from Turin.

Demonstrating that the supply-side argument has reached Italy, if not yet intoxicated it, Mr Zanone told Parliament there had to ba a liberalisation of industry and the economy. Deregulation was needed, along with a dismantling of price controls, new incentives for risk capital and changes in corporate taxes, he said.

As far as manufacturing industry goes, this is welcome talk—but still just talk. Reform in Italy tends to be piecemeal, and not always coberent, because of the political deals whicb have to be cut in the name of maintaining the country's "consensus."

Engineering employers are much more concerned about the Government's intention to reduce its subsidy on companies' social payments, which will add about L800bn to employment costs.

It is on this froot that Italian companies feel most vulnerable — or at least they have been saying they do to union bargainers in the current contract negotiations. About 60 per cent of the 3,100 engineering companies recently surveyed by their industrial association, Federmeccanica, exported some of their prodnction last year. Their biggest anxiety is to maintain price competitiveness after a 30 per cent devaluation of the US dollar against the lire over the past 12 months.

After allowing for the halving of the oil price, the curreot account of the balance of payments is showing some sign of stress. For most of this year, import volumes have been rising by about 7 per cent while exports have been falling by 2.5 per cent. In September this troubliug trend took a serious turn for the worse wben export volume slumped by 10 per cent.

It is not clear that exporting companies have got their pricing policies right. According to the Bank of Italy, reductions in input costs have not been fully passed on in the domestic market because companies have been maximising profits at the expense of a lower inflation rate. Clearly inflationary expectations and union pay demands are affected.

The bank is anxiously watching the contract negotiations covering more than 10m public and private sector workers. It reckons that if the unions' demands were conceded, labour costs would rise by about 3 percentage points more than anticipated inflation.

The dominant fear in some quarters is a return to the 1970s position, wben union power and the scala mobile combined to push up unit labour costs faster than anywhere in Europe, except perhaps the UK.

But the 1970s remedy of frequent devaluations to protect exports is not now available, unless Italy were to be proced into the bumiliation of quitting the European Monetary System. The pay negotiations, particularly those involving the metal mechanics, are putting to the test the concordat signed in May between the Confindustria and the three union federations. This specified the main purpose of the national pay talks to be maintaining workers' purchasing power.

Union demands appear to be more ambitious or to take a more pessimistic view of likely inflation over the next three years. Employers are talking about offering 14 per cent to the pace-setting metal mechanics while the unions want about 21 per cent.

But this year the unions are interested in more than pay. Having involved their members more fully than ever in preparing their demands, particularly in the engineering sector, they bope to demonstrate that union power can wax again.

Mr Antonio Pizzinato, secretary-general of the largest grouping, the CGIL, acknowledges that nearly a decade of rising unemployment and falling membership, defeats over the scala mobile and technological and social changes have seriously weakened the unions. But he says that workers are ready to use the strike weapon in the current negotiations, to restore some of the old balance in relations with employers.

Mr Pizzinato and his colleagues want new forms of consultation to be built into contracts. They are looking for parallels to machinery which has been quietly introduced within the state groups IRI and EFIM. Both have brought the unions into broad discussions of corporate strategies and their likely employment consequences.

As far as IRI is concerned, there looks likely to be more bad news on the employment front, particularly in the ever struggling steel and shipbuilding sectors. About 50,000 jobs have been cut in IRI companies in the last four years, more than half in the Finsider steel subsidiary. Badly needed restructuring of this kind conpled with the sale to private shareholders of minority stakes in profitable businesses has gradually brought some colour back to the IRI balance sheet.

After peak losses in the non-banking businesses of L3,197bn in 1983, the deficit from industrial operations was cut back to L1,592bn last year and should finish at about L600bn this year before moving into broad balance by the end of 1987.

Mr Romano Prodi, the IRI president, was rewarded for his efforts with a new three-year contract in September. He will be a happy man to launch his second term with the sale of Alfa Romeo to Fiat. This is a full privatisatioo and the first of any substance sioce tha embarrassing government veto of last year on the sale of the SME food subsidiary.

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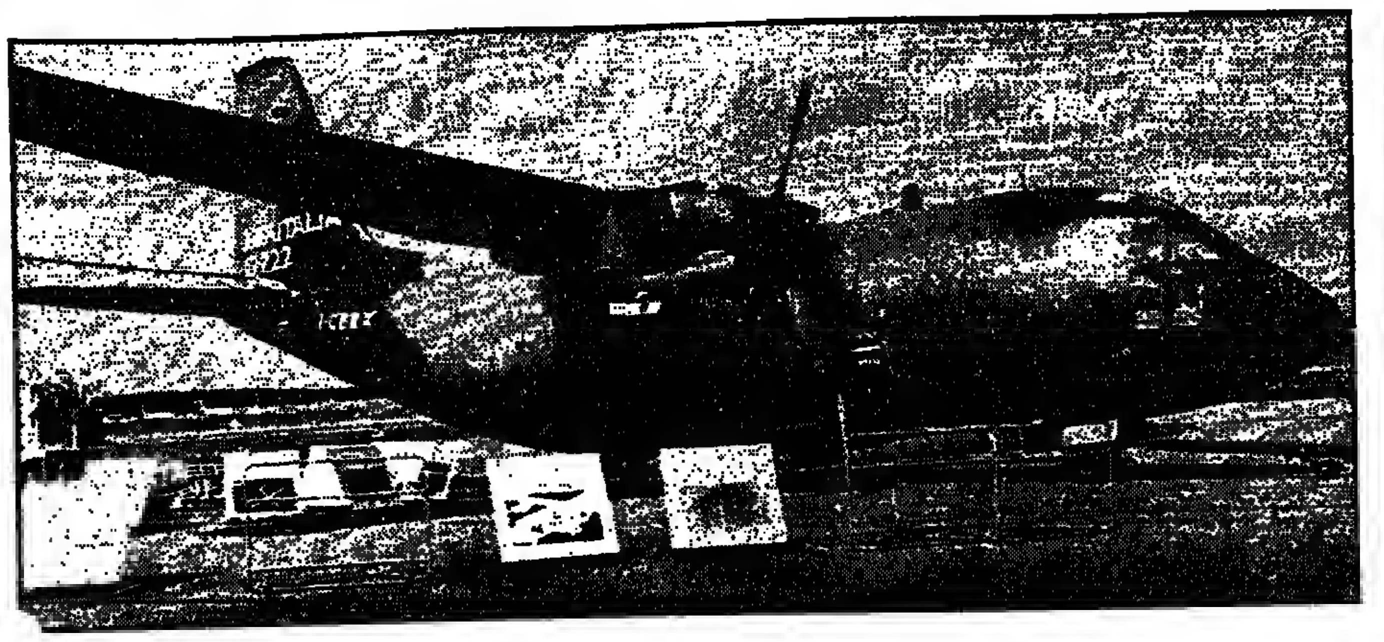
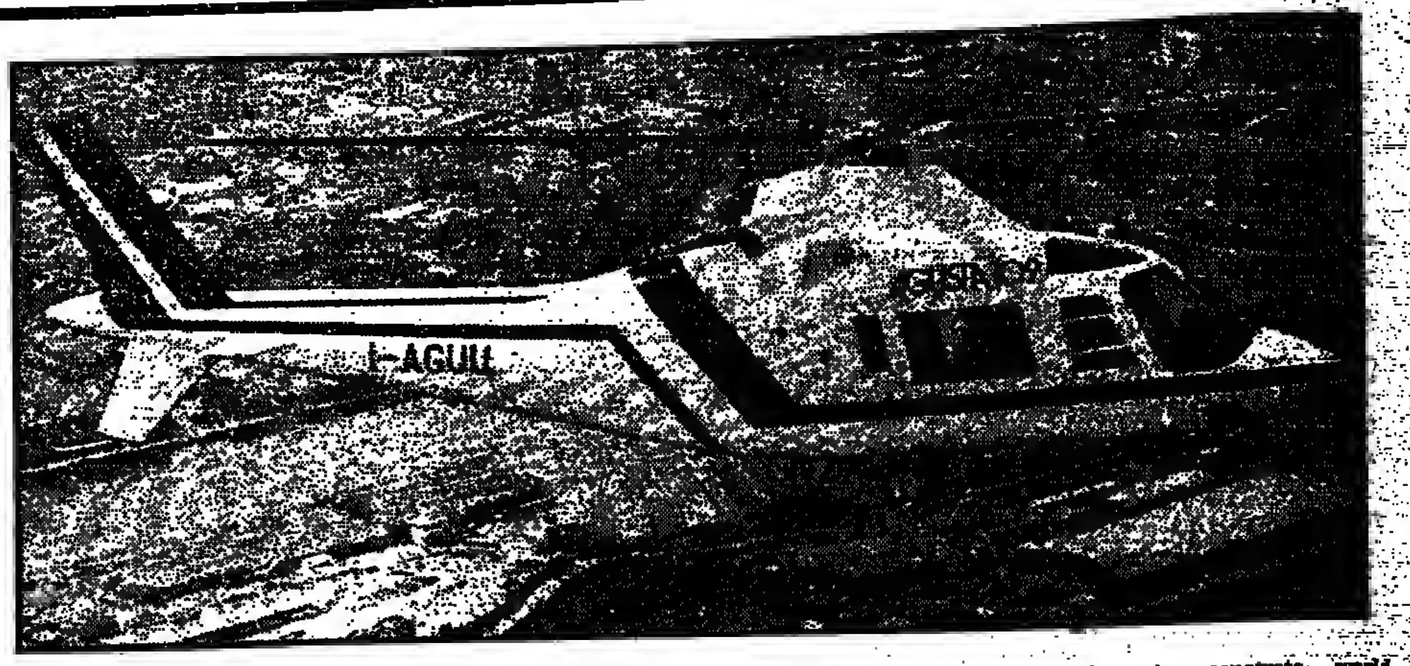




The Aeritalia G222 (left) is still searching for big orders but the transport version of Agusta's A109 helicopter has boosted sales

Aerospace

# Political split blocks reorganisation

REFORMS HAVE been a constant subject of political debate in Italy in the 1980s. There is much to modernise and correct in a political and industrial system which laws have beeo stuck ooa upon another according to the political imperatives of tha moment.

However, intense debate often produces only modest results which, are too often a reflection of an acceptable political hargain between the parties rather than a response to a problem.

So it is with tha organisation of the Italian aerospace industry. To all inteots it is made up of two poblicly-owned companies, Agusta and Aeritalia. The latter concentrates on civil and military fixed-wing aircraft and has developed through close collaboration with other producers in the US and Europe.

Agusta is principally a helicopter manufacturer, although its range also includes a jet trainer and a small transport aircraft. Of the two companies it has had mnch the most difficult time during the recession years of this decade, but it now looks to be on the road to recovery.

Since neither Agusta nor Aeritalia is a major international aerospace presence, there ought to be some potential benefit in grouping the two companies to encourage collaboration and remove overlapping, particularly in research and development. Those attracted by this idea have argued that as a start that it would be e good idea to put tha two in the colours of the sama state holding company.

At preseot, Aeritalia belongs to IRI and Agusta to Efim. There are good bistorical and political reasons, but very few industrial ones, wby Italy maintains these two acronyms. Politics prevail, bowever, and their separate existences seem likely to guarantee those of their two eerospace affiliates.

If Agusta was transferred to IRI, then Efim would lose about a quarter of its L4,600bn turnover—which in any case is only a fraction of IRI's—and much of its reason for existence. But if Efim were to disappear, then so would a substantial area of patronage and power belonging to the Socialist Party. Worse, in the eyes of Socialist politicians, putting Agusta in IRI would be a net addition to Christian Democrat power.

All these preoccupations and more help explain wby after eight months of diligent research and debate, three committees of the Lower House of the Italian Parliament were unabla in Saptember to produce agreed recommendations on reorganising the aerospace industry.

There was, indeed, a majority in favour of placing aerospace under the IRI banner, but the Socialist and Social Democratic parties demurred.

"The restructuring of the aerospaca sector must be done in the wider context of the restructuring of state participation in industry," said the Socialist Party's economic spokesman. By which ba meant that any loss of spoils for the Socialists must be compensated by gains elsewbere within the state sector.

Tha spokesman was Mr Enrico Manca, a typical member of Italy'e political class. Oooe a journalist, always a political activist, he was briefly Minister for Commerce until his name featured in the membership list of the notorious masonic lodge, P2. His denials were subsequently upheld by the magistracy. He has been rehabilitated, and just appointed president of RAI, the state-controlled radio and television company.

The parliamentary report on aerospace, having failed to find its own broad consensus, did, nonetheless, ask the Government to prodnce its own reorganisation proposals within six months. But party differences whicb obstructed agreement within Parliament may be just as difficult to overcome within the Government.

In the meantime, Aeritalia and Agusta will continue going their separate ways with the continuing uncertainty about their future organisation causing soma embarrassment to their businesses.

For both companies, the watchwords of their strategies are international collaboration and both have had considerable success in daveloping vital partnerships within Europe and the US. Commercially, bowever, Agusta has been having much the more difficult time.

After a record loss of L165bn in 1983, and a modestly improved deficit of L144bn in 1984, the company reduced its consolidated loss last year to about L85bn. Thanks to increased shipments of both the A109 transport helicopter and the AB212, the company's sales showed a healthy increase from L861bn to around L1,125bn. Its helicopter subsidiary turned in its first profit —of L7bn—for three years.

One of Agusta's main hopes lies in the possible multinational development of its A129 light anti-tank attack helicopter — an ambitious unilateral venture wbere development bas cost L700bn. After searching for partners for years and watching the A129's chances of becoming the Nato helicopter of its type dwindle, Agusta has at last found some potential partners for its development.

At the Farnborough Airshow in the UK in September, Britain, Italy, tha Natherlands and Spain agreed on a feasibility study for an aircraft to he christened Tonal (after the Aztec god of war). This could be produced in three versions: scout, anti-tank and air-to-air defence.

Meanwhile, the Italo-British feasibility study continues on a possible version of the A129 for the British Army which would be built by Westland and Agusta. Collaboration between the two is already well-established thanks to the EH101, a naval and utility helicopter. But the order book, at 90 units, still remains disappointingly small.

Aeritalia, meanwbile, is forging ahead along its well-established lines based on co-operation with Boeing and McDonnell Douglas the US civil aircraft manufacturers, and on the military front, with the British and West Germans in the Panavia Tornado fighter project.

This is now in a very mature pbase with more than 70 per cent of orders completed. Aeritalia is looking to the European Fighter Aircraft (EFA) project to be an important basis of future activities. The Italian company designs and builds toe wings for the Tornado and it has assembled the 100 aircraft ordered by the Italian Air Force.

The experience has yielded valuable technological and commercial benefits and raised bopes of winning a larger share of the EFA project. But the company's two other major military projects, the AMX light fighter and the G222 transport are still searching for substantial orders.

The AMX, a joint venture with Brazil, needs more than the 270 orders booked by the Italian and Brazilian air forces to be truly profitable, while tha G222 has picked np only a few small packages of orders.

Nevertheless, Aeritalia's balance sheet is looking much improved. Profits leaped by 69 per cent in 1985 to L28.2bn on consolidated sales thet were 20 per cent higher at L1,377bn. In March 16 per cent of the company's capital was privatised through a public issue which raised L190bn.

But the difficulties facing both Aeritalia and Agusta in trying to penetrate world markets may be complicated by the steep fall in tha dellar. Italian aerospace exports peaked in 1984 and fell slightly to L2,400bn last year.

Industry spokesmen stressed competition from the US and the need for continued effort to cut productions costs in Italy if defence sales were not to be further squeezed.

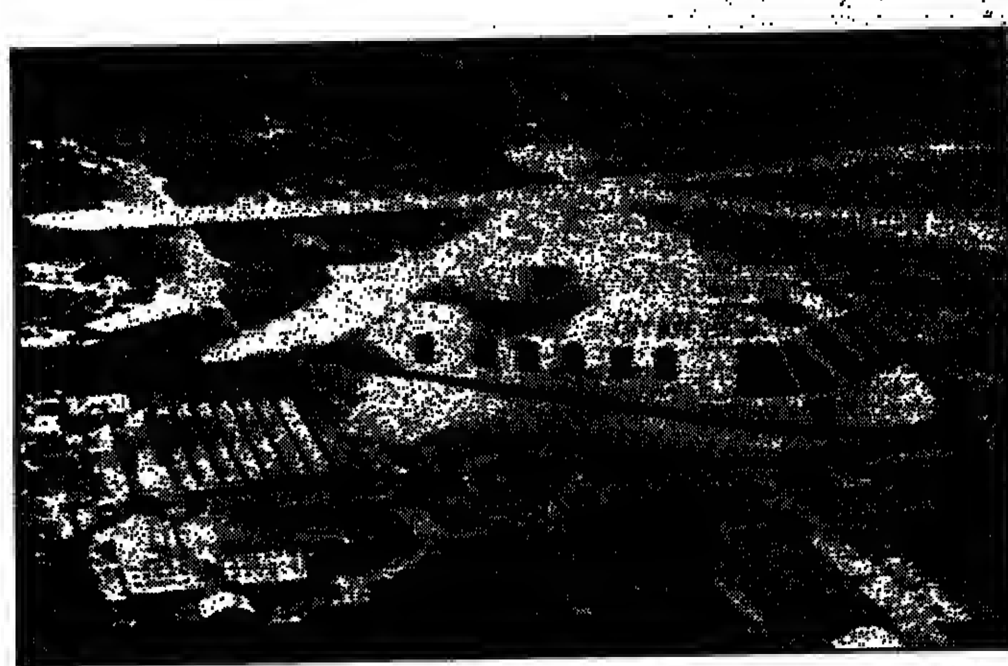
Both companies, therefore, still face difficult times. If every project paid off, the prospect might be different. But the gods who govern aerospace are rarely so generous. A combination of the two companies might just shorten the odds against a broader based success.

In the meantime, the continuing uncertainty over the aerospace industry's future organisation is good for neither.

**John Wyles**

# Flying in the face of adversity

Profile: Augusta



Agusta and the UK's Westland are still short on sales of the EH101 helicopter

THE Augusta group brings to mind the image of the plucky but underweight fighter constantly being knocked to the floor but always picking himself up and batting on. The impression derives more from the broad sweep of the company's history than any particular period—although the last 10 years has not been without their bloody setbacks and plucky recoveries. Agusta, under Raffaele Teti, is not a company which spends much time dwelling on its past. He took over as president in mid-1983 from Corrado Agusta, last of the Agusta family to have a hand in management.

Family companies, it seems, can remain family companies even when shareholder control has passed to a state holding group, as Agusta passed to Efim in 1973.

Paternalistic and scornful of public relations, the old Agusta group made some unfortunate acquisitions, built helicopters for stock, incurred considerable debts in dollars and had to be saved just over three years ago by a change of management and more than L200bn of capital from Efim.

Since then the company's workforce has been cut from about 12,000 to just less than 10,000, its losses greatly reduced from the 1983 peak of L173bn and its net indebtedness brought down to L933bn from L1,269bn in 1983.

But such are the lead times in helicopter manufacturing that the models now being developed and marketed were pinned to the drawing board in the old Agusta era. Blunt spoken though be is, Mr Teti is not in the habit of criticising what is in his own shop window. However, Agusta is beginning to alter the range of its helicopter output.

This means a gradual withdrawal from the licensing arrangements with Bell Helicopter which first launched Agusta into helicopter manufacturing in 1952. The company had been a celebrated aircraft producer since 1907, picked itself up after wartime defeat and began manufacturing the celebrated MV motorcycles in the late 1940s before embracing helicopters.

It still manufactures a couple of fixed wing designs—a jet trainer and a small transport which are in need of orders. The group is now battling hard to succeed with a strategy based on developing helicopter families in collaboration with other European producers. One single design can be marketed in a variety of forms according to the purpose and electronic systems required.

The A129 is the most sophisticated example. The basic version has been developed entirely by Agusta for about L700bn and is being manufactured as an attack helicopter for the Italian Army. The group has also developed utility and naval version's of the A129. But its real potential, so Agusta believes, will be achieved through the "tonal" programme. If all goes well this will be the outcome of the agreement to carry out feasibility studies signed in September by Britain, Italy, the Netherlands and Spain.

With sales improving, Mr Teti is hopeful of cutting Agusta's losses to about L40bn from last year's L85bn and is aiming to break-even next year. Agusta publicly professes its confidence in its ability to go it alone in an industry where technology, cyclical demand and political uncertainties put constant pressures on balance sheets.

The group's systems division is making an important contribution to product development. Nevertheless, to the outsider it still looks bizarre that Italy should have two aerospace producers like Aeritalia and Agusta when their combined research and development efforts in avionics and materials development might be rather more effective.

The political obstacles to such a move may eventually be overcome and in the meantime the uncertainty about Agusta's future is no great help. "It is very destructive for a company which is trying to recover," said one aggrieved executive.

**John Wyles**



Finance

# Share issues raise cheap cash

CORPORATE finance in Italy has taken some quantative leaps over the past year or so, with huge fund-raising share issues being launched on the Milan bourse.

Tha rise of the Milan stock market, even if its big boom period is now over, has provided manufacturing companies with a cheap alternative to bank loans. The boursa is still too small, with only 176 quoted companies, but it is certainly on the way to becoming a credible source of capital for corporate Italy, and that in itself is a major development.

This year has seen 35 companies coming to the bourse for the first time — a record number of new issues. In each of the previous years (1984 and 1985) only a dozen came to market.

The amount raised on the Milan stock market, including issues of several hundred million dollars each for groups such as Montedison and Ferruzzi, has been rising dramatically. Montedison has tapped the stockmarket for a total of $1.7bn this year, although tha capital was raised by a string of rights issues.

Mr Carlo De Benedetti, the most ravenous fund raiser in Italian finance, is tapping the Italian and French markets for nearly $2bn this year, again via a string of holding and operating company issues. Ferruzzi, tha Ravenna-based foods group which has effective control of Montedison and is hoping to take control of British Sugar in the UK, has launched share and bond issues for its Agricola and Silos subsidiaries which have raised a total of $1.3bn since last November.

The amount raised via new issues and right issues since January came to L9,681bn ($6.8bn), against L3,904bn for the whole of last year.

While these figures are impressive, small companies in provincial Italy are still stuck with finance from banks and their double-digit interest charges. Nonatheless, for big companies and small the upturn in the Italian ecomomy over two years has meant improved profitability, and even more importantly. improved cash flow. Many companies find they are able to self-finance the bulk of new investments without going to banks or tha stock market.

While control of major Italian companies remains in the hands of a few families, sources of corporate financial advice are multiplying. No longer is Mediobanca, the Milan merchant bank, tha only player in town. Sige, the investment banking arm of the state-owned IMI corporate Finance Agency, has been stealing much of tho limelight, Bringing to market companies such as Benetton and Assitalia, the state insurance group.

There are also other rising stars in corporate finance. These include Euromobiliare, the investment bank controlled in part by Mr Da Benedetti, plus the Sopaf investment hanking business run by Mr Jody Vonder, a Milanese banker and broker. The number of intermediaries is still small, but the market is growing.

Many Italien bankers speak of creating "merchant banks" to help companies raise funds and come to market. Unfortunately the concept of merchant banking is not very well understood in Italy and the term is frequently used to describe a holding vehicle which simply takes equity stakes in quoted or unquoted businesses.

More encouraging for Italian companies is the fact that with tha growth of the stock-market, and belped by selective deregulatory measures by the central bank, Italy's largely state-controlled banking system is becoming a littla more enterprising and even competitive when it comes to company lending. Interest rates remain high, but the past year has seen increasing competition among banks for tha corporate client, and not merely at the top of the market.

The result is a degree of competition on the rate front, with banks at times offering loans at 50 to 75 basis points below prime.

It will still be several years before Italian institutions breed the kind of corporate finance environment in the city of London or Wall Street, but as a result of recent developments Milan is on its way.

**Alan Friedman**

Tractors

# Patriotism aids survival

ITALY'S TRACTOR makers have a hard row to hoe. World demand for agricultural machinery continues to be depressed. During the first half of the year the negative trend continued in the large North American market, while a decline of 13 per cent was registered in Europe.

Heavy falls were recorded in Spain, Greece, France, Britain and Sweden, though these were partly compensated by slight improvements in Belgium, Holland, Denmark and Norway. The Italian situation reflected the European average.

During the past decade worldwide tractor sales have slumped dramatically. Excluding models under 40hp sold in North America and Japan, total global demand has fallen from 832,000 in 1976 to 585,000 last year. In Europe the market declined by one third over the same period, from 365,000 to 247,000. Italy is Europe's leading tractor maker. The other countries of the continent are the destination of about one half of Italian production. So it is clear that Italian manufacturers are facing conditions which are far from easy.

As for the cause of the slump, those involved in the sector point unhesitatingly to the world agricultural situation. Production surpluses mean that farmers have less funds available for investment in machinery, which in any case becomes less necessary.

These structural factors are likely to be reinforced in the future. Genetic engineering and improved seed types will lead to higher yields. At the same time, agriculture in Europe will see a further decline in the number of farming units and this will result in a smaller need for tractors. Unione Nazionale Costruttori Macchine Agricole (Unacoma), Italy's national association of agricultural machinery manufacturers, believes that the situation will worsen for its members.

When demand started to decline in the late 1970s, Italian tractor makers enjoyed a brief respite. While they suffered from reduced export opportunities, there was some compensation at home. The early 1980s were a period of high inflation and Italian farmers continued to buy tractors as a form of inflation-proof saving. But in the past three years the results obtained in tackling inflation have knocked away this shoulder prop.

Yet, although Italy's tractor industry is faced with a rough business terrain, it benefits from some strong points. Notwithstanding the decline, the domestic market nevertheless absorbed 44,200 tractors last year. This was not much less than France (47,500) and considerably more than West Germany (34,800), Britain (24,900) and Spain (22,500).

Moreover, a marked preference by Italian farmers for national models gives Italy's industry an edge for surviving today's difficult conditions. Unlike its European neighbours, the market in Italy is highly concentrated. Last year the Fiat subsidiary Fiat Trattori alone took 44.8 per cent of the market, while the share held by the Same Group amounted to 20.9 per cent.

Unacoma says that there are more than 2,000 makers of agricultural machinery in Italy. But the large majority are small engineering workshops. While recognising the respectable 11.6 per cent share of Italian tractor demand which was met by Massey Ferguson/Landini last year, there are only two manufacturers who count as heavyweights. And, given the relative shares, Fiat Trattori holds a formidable lead over the Same Group.

Their strong domestic base gives the two large Italian tractor makers an excellent starting point for exploiting the wider European market. They appear to have grasped the opportunity. Fiat's share last year was 17 per cent (compared with 11 per cent in 1976) and kept it firmly in first place as market leader.

The Same Group took 7.1 per cent, which was ahead of Renault and Deutz, and pushing hard at Ford's 7.2 per cent share. Together Fiat Trattori and the Same Group held nearly one quarter of the European market in 1985.

However, the fortunes of the two large Italian tractor makers present somewhat different pictures. As part of the Fiat Group it might be expected that Fiat Trattori would not be far from the excellent results which the Turin-based corporation has returned over recent years. Indeed, net income last year was L38bn (L31bn in 1984) on net sales and revenues of L2,149bn (L1,950bn).

Fiat Trattori is strong in Europe, where it seems to be strengthening still further. The continent, excluding Italy, provided 49 per cent of revenue last year (41 per cent in 1984). It was thus considerably more important than the home market which absorbed 24 per cent of sales (21 per cent).

The increases obtained in sales throughout Europe more than compensated for reductions elsewhere. Sales in North and South America totalled L348bn last year compared with L444bn in 1984, thereby slipping to third place with 16 per cent (23 per cent).

Capital investment and research and development expenditure play an important part in reinforcing the position held by Fiat Trattori. The company spent L67bn last year on production logistics, the renovation of the product line and improvement to production means. In the previous year investment had amounted to L58bn.

Expenditure on research and development was L29bn last year compared with L25bn in 1984. These sums do not include the R & D costs incurred by other companies in the Fiat group on important tractor components such as the engine. The emphasis given by Fiat Trattori to investment and R & D is considerable, the company recognising that such expenditure is fundamental to competitiveness. Innovation is the way to obtaining better performance from the product and enhancing sales.

Investment requires financial resources, an area in which Fiat Trattori is well placed. As part of a large conglomerate it enjoys wide access to finance and the availability of internal funds.

This is an aspect which sets it apart from the Same Group. In reporting on 1984's results, Same's directors noted that the company's competitors, are, er belong to, large groups.

Investment at Same Trattori has been much lower than at Fiat's tractor subsidiary, the most recent financial statements showing L10bn in 1984. Though as a proportion of sales (in 1984 Same Trattori's total invoiced sales amounted to L315bn) the level of investment was similar to Fiat Trattori, the Treviglio company lacks the extensive resources which are available to subsidiaries in the Fiat Group.

Same Trattori generates about two-thirds of the turnover of a group which includes Trattori Lamborghini and Hurlimann. The company has suffered considerably during the crisis. In sharp contrast to Fiat's profits, Same Trattori returned a loss of L3bn in 1984. At group level losses amounted to more than L5bn.

In 1984 Trattori Lamborghini suffered losses of L9bn on turnover of L130bn, while Hurlimann lost L2bn on sales of L24bn. On the commercial side, Same's Spanish sales subsidiary lost L4bn (turnover L27bn), the North American subsidiary lost L8bn (turnover L21bn) and the British subsidiary lost L1bn (turnover L13bn). In Germany Same Traktoren Vertrieb found itself in a position of insolvency with losses of L7bn en turnover of L21bn.

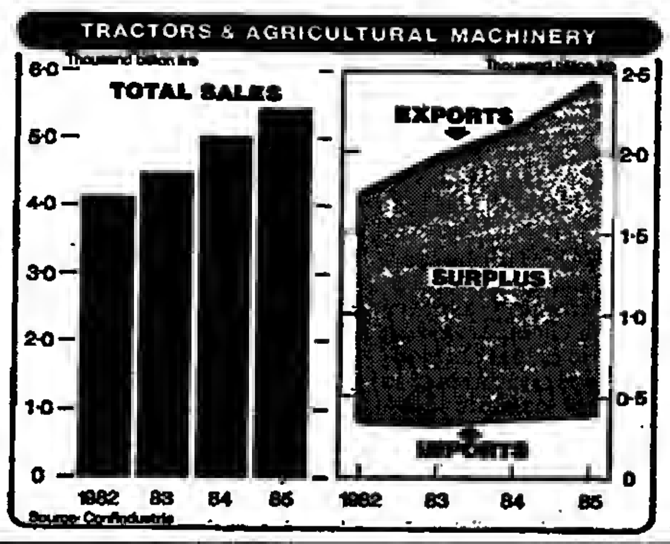
During the two-year period 1984-85 the company had to provide L36bn to support the group's commercial network. The directors' report records: "Many foreign affiliates have found themselves in positions of real financial ruin." High stocks and problems over accounts receivable have been major headaches for Same'e management.

Although the company has embarked on corrective action, there must be doubts as to the real possibility of a return to full corporate health. At the beginning of October, Same was unable te provide financial information regarding the previous year's operations. Cuts reduced the group's labour force from 2,998 in 1980 to 2,585 in 1983, end there has been recourse to the state labour lay-off scheme. However the company refuses te comment on the current labour situation.

In the 1984 report, Same's directors noted that the recession in agricultural equipment is tha result of a deep and irreversible structural change. While it is generally agreed that Fiat now has the corporate muscle and resilience to cope with bleak world tractor situation, there is speculatien over Same'e long-term future in an independent role.

**David Lane**

Assembly at the Fiat Trattori plant in Modena




Machine Tools

# Focus on the dark side

ITALY's machine tools industry, which ranks as the world's fifth largest in terms of sales and exports, looks set for only modest growth in the current year. The 400 Italian machine tool producing companies remain among the world's most dynamic, from the smallest sub-contractors to the industry's undisputed champion — the Comau factory automation subsidiary of the Turin-based Fiat group.

The problems facing the Italian sector, however, include the adverse impact en export sales caused by the weakness of the US dollar against the Italian currency (more than 50 per cent of Italian machine tool exports are in the dollar area) and stiff competition from the world leader in machine tools, Japan.

Thus, Italian machine tool exports this year are expected to rise by just 6.6 per cent in nominal terms to L1.44bn ($1.3bn) which is a mere 1.5 per cent increase once adjusted for inflation.

This export performance, which is distinctly lacklustre, follows a 1985 export recovery which saw total sales outside of Italy jump by 37.9 per cent. The only consolation for Italian machine tool exporters is that the industry's total import-export picture will still leave the country with a healthy L1,000bn trade surplus, even if that is virtually unchanged on last year.

The Italian machine tools industry, and particularly its national manufacturers association, l'Unione dei Costruttori Italiani di Maccine Utensili (UCIMU), tends to dwell on problems, however, even sometimes to the point of exaggeration. One reason for focusing on the dark side is a desire by UCIMU to win back government financial incentives which lapsed more than 18 months ago when the legislation (Law 696) which provided grants and subsidies to machine tool purchasers came to an end.

**Machine Tools**

| | bn lire Sales | Exports |
|---|---|---|
| 1981 | 1.75 | 904 |
| 1982 | 1.56 | 880 |
| 1983 | 1.575 | 900 |
| 1984 | 1.75 | 980 |
| 1985 | 2.12 | 1,351 |
| 1986 | 2.37* | 1,440 |

* Forecast.

Source: UCIMU

The L150bn of grants under Law 696 helped domestic sales in the first half of last year. But even without the special subsidies the domestic picture during the first six months of this year was still reasonably buoyant.

Domestic orders, for example, rose by 29 per cent year-on-year in the first quarter of this year, and by 27.7 per cent during the second quarter. Indeed, on the basis of UCIMU's own forecasts, total domestic machine tools sales in 1986 should amount to L930bn, an everall increase of 19.4 per cent on last year and still something like 14 per cent after adjusting for inflation.

The explanation for this better domestic showing in the current year was provided by UCIMU in July when the association reported that "our industrial system, which has finally emerged from years of inertia, is now demonstrating the desire to make a commitment to investment in new technology and innovating manufacturing tools."

With an eye to the politicians in Rome (who are still being lobbied by UCIMU for e new set of legislative subsidies), the association meanwhile declared that domestic orders in the second quarter of this year were still nearly 30 per cent below the level of 1980.

The real truth is that, industry laments notwithstanding, Italy's machine tools manufacturers have been successful compared with many of their overseas competitors. Last year export sales represented 7.2 per cent of total world exports, again confirming Italy as the fifth most important exporter in the world. Italy also ranks fifth as a producer, after Japan, West Germany, the Soviet Union and the US.

Some small companies have gone under in recent years, but the machine tools industry still holds its employment level of 28,200 workers, more or less constant with previous years.

Exports may be registering only a modest rise this year, bnt the Italian sector still sells more than 60 per cent of its production outside the country. Countries in the European Community account for a third of Italian export sales, non-EEC countries take a further 16 per cent, eastern European customers represent nearly 10 per cent, while African nations buy about 6 per cent, Asia roughly 13 per cent, North America 17 per cent, and Sonth America more than 4 per cent.

Italy'e machine tools makers have for several years maintained a consistently diversified geographic spread of exports, forging new ties frequently, such as UCIMU's technelegy transfer project with China, which has been under way since 1982 and is already bearing fruit.

The threat from Japanese machine tools producers is another issue, and Italy is not alone here. The country, like West Germany, is fearful of the scale of Japanese investment in technology and automation. On the other hand there are few companies in Europe which have achieved success in factory automation which has been chalked up by Comau, which is now a major supplier of automated assembly lines for the making of aluminium cylinder heads to General Motors.

GM recently bought 20 per cent of Comau'e US subsidiary, in part to keep closer watch over an important supplier, in part because of faith in Coman's profit potential. Comau also recently entered a joint venture with Digital Equipment Corporation.

Comau may be considered an exception in the Italian industry, but other big companies are also working on developing new flexible manufacturing systems (FMS). After Comau there is Berardi of Brescia and Olivetti's OCN unit.

**Alan Friedman**

## Defence

# Rivals turn into allies

THE Italian defence industry, now well established among the majors of the world league, is laying down the foundations for the 1990s. Collaboration between companies, both nationally and internationally, will provide the strategic framework for most large military projects.

The collaborative development of a multi-function phased array radar (MPAR) for the Nato frigate replacement programme in the 1990's, announced at September's Farnborough Air Show, is typical of several international projects on which Italian companies will be engaged. Selenia, an electronics subsidiary of the IRI state holding corporation, will be working on the European MPAR with Marconi Radar Systems of Chelmsford and France's Thomson CSF.

Mr Nicolas Zalonis, Selenia's general manager, described the EMPAR agreement as historic. "For more than 20 years Marconi and Thomson fought each other worldwide. But now they are working together on EMPAR," he said.

On an equal footing with the British and French companies, Selenia holds a one-third stake in the project, though this will be reduced with the arrival of a fourth partner from Spain.

The MPAR will perform a variety of functions, such as search, acquisition and tracking, which are currently carried out by separate items of equipment.

As well as handling hundreds of targets located in a full hemisphere, the new radar will also be capable of tracking dozens of targets concurrently for missile engagements.

The complexity and cost of the MPAR have helped forge the alliance between rivals. "Development of large systems makes such heavy demands that pooling resources to share the economic and technological burden provides the only sensible solution," Mr Zalonis said.

National markets do not offer sufficient volumes to spread the development costs associated with projects like EMPAR. Monopoly at home is not enough, and a share of export markets is essential to recover investment costs.

"Collaborative ventures like EMPAR give a much larger guaranteed home market and a better chance for exports," he said.

He foresees European defence industries increasingly working together, though through a gradual process rather than abrupt change.

"Agreement for a European fighter aircraft (EFA) clearly shows that the Tornado was not merely an isolated episode. Though the French decided to push ahead with their own Rafale aircraft, they had shown an interest in the EFA," Mr Zalonis said.

This newcomer to the high technology of defence engineering—a sector traditionally dominated by the US, Britain, France and Germany—has made its presence felt relatively quickly posing a question regarding its real capability.

"Italian companies working in defence are at the same technological level as their international counterparts. Any attempt to bluff would be rapidly uncovered," Mr Zalonis said.

Italy certainly does not consider itself to be a second class member in the collaborative projects. This is a measure of the progress made over 20 years. From manufacturing equipment under licence, the large Italian defence companies can now claim a high level of design autonomy.

Part of the advance stems from the substantial re-equipment programme by the Italian armed forces which started in the mid-1970s. Mr Zanolis emphasises the considerable change in the military customers with whom Selenia deals at home.

"There is now much greater technical and managerial ability," he said. The Italian armed forces have learnt to ask for high performance from their hardware. Users and suppliers have benefited from growing together.

Moreover, in the late 1970s and early 1980s, Italian manufacturers of defence equipment found the surge of orders at home being reinforced by booming export markets.

Between 1978 and 1984 the state-owned shipbuilders Fincantieri built four frigates for Peru, six frigates for Venezuela, six corvettes for Ecuador, four corvettes for Libya and three corvettes and three fast patrol boats for Thailand. Though still undelivered, during the early 1980s Fincantieri built six corvettes and four frigates for Iraq.

Orders for weapon platforms created opportunities for the makers of weapon systems. Electronics companies like Selenia, its subsidiary Elsag Elettronica San Giorgio and the Plessey affiliate Elettronica took the chances which arose from Fincantieri's success in selling its ships abroad. Radar, fire control, electronic countermeasures and command and control systems were needed to equip the platforms constructed by Fincantieri.

Italian companies were also called to supply the guns and missiles of the warships built for its own fleet and for foreign navies. Oto Melara and Breda, subsidiaries of the EFIM state holding corporation, found their order books lengthened by Fincantieri's success in export markets.

The fall of the dollar and the collapse of oil prices, coupled with the completion of purchasing programmes, has closed the possibilities of significant new export contracts for Italian defence contractors in the short and medium term.

"We are facing a serious crisis in export markets," admitted Mr Zanolis.

In the current context of weak export demand, tough competion and the high costs incurred in developing new systems, the emphasis on collaboration makes sense.

Oto Melara already enjoys a long-standing association with the French company Matra, the Otomat missile being the result of this partnership. Oto Melara has recently joined forces with Selenia and the Fiat affiliate BPD to form a consortium called Italmissile.

The consortium will produce the Matra Mistral low-level air defence missile under licence. Italmissile will also be responsible for developing an anti-tank missile to replace the Milan in the 1990s.

Until last year about three-quarters of Oto Melara's sales were abroad, with export contracts priced in dollars. But when 1985 closed, the year's financial statements revealed that the company had experienced a drop in turnover. This year sales are even lower.

Like Selenia, Oto Melara believes that cross-frontier co-operation between defence contractors will increase. Indeed, to complement its French link with Matra, Oto Melara has added a British connection. It has recently agreed to collahorate with British Aerospace on the development of a course corrected 76 mm shell.

It will be interesting to see whether Oto Melara will be collaborating with non-Italian companies on its tank programmes. There is, however, probably little room for outsiders on the M60 replacement which Oto Melara and Fiat have brought to an advanced stage.

While a European partner on the Leopard replacement cannot be ruled out, this is likely to depend on the position adopted by the Turin-based corporation. Fiat is attaching increasing importance to its defence activities.

Progress by Italy's companies and growing emphasis on European solutions to defence problems have tended to push transatlantic business and connections into the background. Yet Italian companies can claim some successes in the US, notwithstanding the strength of the home industry.

Oto Melara's 76/62 mm gun has been purchased by the US Navy, and Selenia has teamed up with Sperry to produce air traffic control subsystems for the US Marines.

Mr Zalonis believes that Selenia's partnership with Sperry on the transportable radar will lead to further doors being opened. He draws attention to the shift in the technological equilibrium between the US and European Nato members.

"US suppliers were a long way ahead when the Nato Air Defence Ground Equipment (Nadge) radar system was established in the late 1960s and early 1970s. The gap on the Nadge replacement is significantly reduced," he said.

Beretta's success in winning the contract to supply the US Army with 316,000 hand guns was a compliment to the high engineering standards of the Italian company. However, firearms are an emotive issue and the victory of an outsider rankled with the American losers. This summer, Smith and Wesson, soundly beaten in the competitive shoot-out four years ago, was still contesting Beretta's contract through the firepower of its congressional lobby.

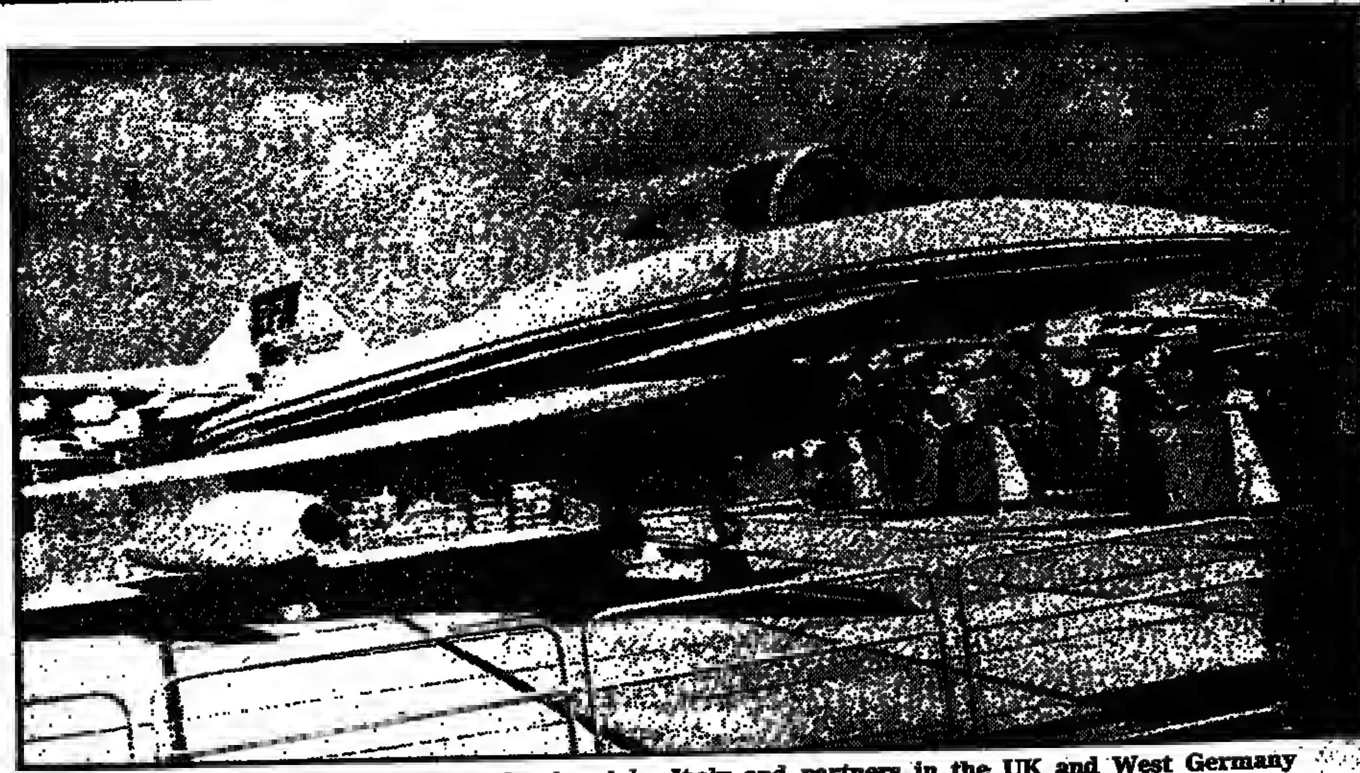
While there is a sizable technological gap between the old frontiers of handguns and the new frontiers of the strategic defence initiative, Italy's defence industry seems to have no difficulty in bridging it.

At a political level Italian involvement in SDI has been agreed. Italian companies are now getting ready to participate at a practical project level. According to Selenia, the first contracts could be assigned about the end of the year. The values involved will, however, be limited.

Yet notwithstanding the achievement of the Italian defence industry since the mid-1970s, there is an aspect with which it will have to get to grips. Many observers believe that fragmentation is a fundamental weakness, urgently requiring remedial action.

Associated with this fragmentation there is a significant level of politicisation in the state-owned IRI and EFIM companies which comprise a large part of the industry. While mergers and concentration would do much to rationalise the defence sector and improve overall efficiency, such a process would reduce the opportunities for political appointments.

**David Lane**



The experimental fighter being developed by Italy and partners in the UK and West Germany



## Domestic Goods

# Flair and efficiency underpin lead

VITTORIO MERLONI has been back at tha sharp end of business for the past two years. He was in the political frontline as chairman of Confindustria, tha confederation of Italian industrialists, from 1980 to 1984. This kept his attention focused on the wider issues facing industry. After four years of tackling macroeconomic problems, he is again dealing with the microeconomy of the family firm where he is chief executive.

**Italian White Goods Industry (excludes small appliances)**

| | 1981 | 1982 | 1983 | 1984 | 1985 |
|---|---|---|---|---|---|
| | bn lire | | | | |
| Total sales | 4,252 | 4,500 | 5,200 | 5,700 | 5,985 |
| at 1980 prices | 3,519 | 3,321 | 3,488 | 3,540 | 3,441 |
| Export quota (%) | 63.2 | 65.6 | 63.7 | 66.1 | 66.6 |
| Exports | 2,686 | 2,950 | 3,313 | 3,767 | 3,987 |
| Imports | 594 | 631 | 526 | 672 | 775 |
| Trade surplus | 2,092 | 2,319 | 2,787 | 3,095 | 3,212 |

Source: Confindustria.

Merloni Elettrodomestici is Italy's second biggest producer of large domestic appliances. Its Ariston brand accounts for 5 per cent of the total production of white goods in Western Europe. After studying economics Mr Merloni started with the company in the early 1960s. He experienced at first hand the success which Italian manufacturers won for the sector during the years of the economic miracle.

The dominant position which Italy achieved 20 to 30 years ago has not been lost. On the contrary, it has been strengthened. Last year Italian manufacturers accounted for 39 per cent of the total production of white goods in EEC countries. West Germany trailed some way behind with 22 per cent while France took an 11 per cent share and Britain 10 per cent.

"Many outsiders attributed the Italian achievement to low labour costs. But this was not tha main reason," explained Mr Merloni. "Labour costs now represent only 15 to 20 per cent of the total cost of an appliance" he added.

Three other factors were crucial in putting Italy ahead of the competition: high prodnctivity, the engineering content of the products and the imaginative flair of designers gave Italian white goods an edge which they have not lost.

Emphasis on productivity improvements continues to be a strong feature of tha sector. In 1980 the average factory in Italy produced 400,000 units with 800 employees. Output per employee increased by 50 per cent. In the brief span of five years, with the average factory producing 450,000 units and employing 600 workers in 1985.

The pace of change seems likely to continue. Total employment in the sector amounted to 35,000 last year, compared with 70,000 a decade before. "It is expected that the number of jobs will ha 15,000 in 1990," Mr Merloni said.

Further rationalisation at Zanussi and the closure of Indesit, where 5,000 workers are laid-off and drawing benefits from tha state Cassa Integrazione Guadagni scheme, will probably provide the bulk of cuts over the next few years.

"Whila automation reduces the need for labour, this is not the main reason for the increasing reliance on automated manufacturing systems. Tha requirement for flexibility in production and the search for ever-higher levels of quality explain the growing use of machines rather than men," Mr Merloni said.

Tha number of different models of household appliances has risen sharply, with the average factory now manufacturing a range five times as big as in 1980. Tha buyer is faced with a large number of refrigerators, freezers, dishwashers, washing machines and cookers from which to choose. Mr Merloni remarked: "You may think the consumer is bemused, but pity the manufacturer."

According to Mr Merloni, the enormous choice offered by the manufacturers reflects the many and varied needs of buyers. The market is already highly segmented and will become more so. User classification is extensive and complex, with a scale from innovative to conservative. There are single users and family users, the latter varying in size, and appliances may be bought for apartments, villas or holiday homes. The creation of a large range of products is not just a way of generating demand, but a way of satisfying it.

Programming and producing a vast number of models calls for a high level of sophistication. While the Italian industry has collectively answered the call, Merloni Elattrodomestici probably leads the other companies.

"We aim to produce 'just-in-time,' replacing stock by making what was sold in the previous week. An efficient information system is crucial to maintain low stock levels. We turn our stock 10 times a year, which is about twice the rotation of other companies," Mr Merloni said.

Innovation has played a key role in putting the Italian "white goods" industry into its leading position in Europe, and in keeping it there. Partly it is a qoestion of design and model renewal. Ariston's award-winning Margherita washing machine, which, notwithstanding tha spotlight on Italian design is the work of a Japanese designer, is an example of the product life cycle. Now three years old, it is considered a mature product. Over the next threa years it will becoma obsolete.

Indeed, one of the reasons why Indesit is thought to be a lost cause is the duration of the crisis which the company has suffered. Insufficient innovation over a period of fiva years is extremely debilitating in a sector where new products and new technology provide the muscles for survival.

"Lack of investment has probably killed off Indesit," Mr Merloni said.

Tha high level of plant depreciation applied by his own company, about 5 per cent of product cost, is a measure of the importance which Mr Merloni attaches to innovation. Research and development costs account for a further 3 per cent, again a level which is above average for the sector.

Product innovation and greater automation in manufacturing systems allows improvements in the quality of appliances. The quality aspect is becoming increasingly relevant.

"The customer is looking for reliability. When an appliance is switched on, it must work. We can now get close to zero defects," Mr Merloni said.

The company's programme for robotisation is tackling those points of production where quality can benefit most.

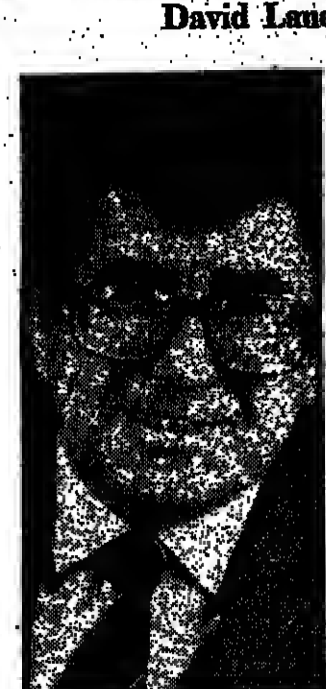
Competition is severe. "Innovation, as well as encouraging demand segmentation, also affects tha manufacturing process, creating excess capacity and causing fierce competition on costs," Mr Merloni said. Ha expects that costs will continue to fall and where retail prices rise these would be accompanied by better performance from the appliance.

"White goods are a sector where brand loyalty is absent. Three quarters of buyers are prepared to switch from brand to brand. Because they want to feel secure when they purchase, they therefore choose appliances which are hacked by a name," Mr Merloni explained. This is the reason for tha big advertising campaigns.

None of the large Italian manufacturers escaped the crisis which hit the sector in the early 1980s. The awkward combination of a stagnant market—demand is now essentially for replacement units rather than from new purchases—and increased capacity provided a severe test for corporate resilience.

An already difficult situation was exacerbated in some companies by wrong strategic decisions. According to Mr Merloni, both Indesit and Italy's largest manufacturer, Zanussi, suffered from falling into a diversification trap.

The electronic attractions of brown goods were an unprofitable tangent for Italy'e white goods industry. Mr Merloni believes that small appliances, where French and German manufacturers are strong, could prove an equally unremunerative diversion.



Vittorio Merloni, whose Ariston brand forms 5 per cent of Europe's white goods

Zanussi's grave problem appears to have been solved through its takeover by Electrolux. The acquisition, made in 1984, allowed the Swedish company to take a 19 per cent share of Western European production last year.

Mr Merloni is convinced that Electrolux got an excellent bargain when salvaging Zanussi. This is a fair point, given that the company has quickly returned to profitability. It made net profits of L5bn during the first four months of the year, against losses of L24bn in the same period last year.

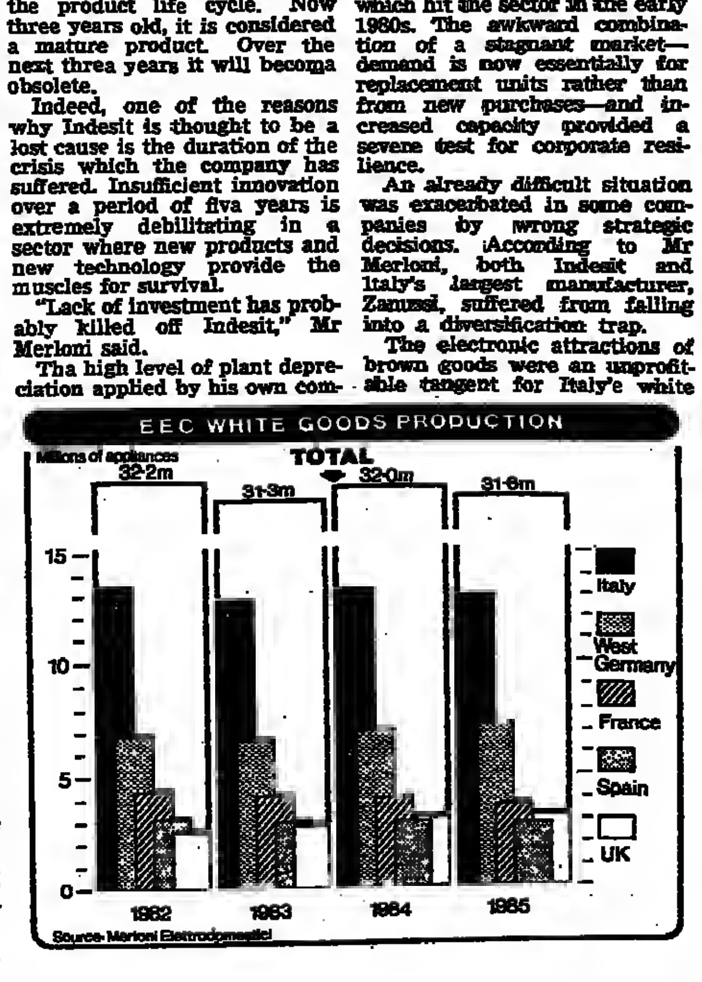
The evolution of the sector in the 1980s has produced one significant change of ownership. There will be another if the US Whirlpool takes over the Philips-Ignis operations in Italy. Mr Merloni discounts the idea of a saviour being found for Indesit, which is therefore likely to disappear.

Merloni Elettrodomestici did not remain immuna to the difficulties which affected its competitors. However, the company's chief executive said that the business suffered principally from his heavy involvement as chairman of Confidustria at a critical time. Results have improved and the company will be reinforcing its capital structure with a flotation of shares on the Milan Stock Exchange at the end of November.

The Italian white goods industry was fortunate that it did not face outside competition during the upheavals of the 1980's. Mr Merloni makes the point that the world is divided into three different markets. Neither US nor Far Eastern makers present real threats. Europe is an independent market where requirements would not be satisfied by products from west or east. At the same time, Europe does not pose a threat to them.

Mr Merloni is optimistic about the future. He expects that European demand for large domestic appliances, which last year amounted to 31m units and was worth L11,000bn, will remain constant.

**David Lane**



## Telecommunications

# Potholes on road to merger

THE PAST year has seen a spate of developments in the European telecommunications sector, and the pace of change is also being kept up in the Italian market.

The year's big Europe-wide deals concern GTE and Siemens on the one hand and ITT and France's CGE on the other.

But Italy's two main indigenous telecommunications equipment makers Italtel and Telettra, have also been planning for the future.

By the end of this year, a feasibility study will address the commercially important and politically delicate question of whether Italtel, the state owned company, should merge with Telettra, the subsidiary of the Turin-based Fiat group. The idea would be to rationalise the Italian sector and enable the new company to compete more effectively on the international market.

But the road to a successful merger is studded with potential problems, not least the amount of money Telettra might contribute to the venture, since its turnover is less than half that of Italtel.

As far as the development of a national telecommunications network is concerned, Italy still lags behind other European countries in subscriber density. It reached a level of 28.9 per cent in December 1984 against 37.1 per cent in the UK and 40.7 per cent in West Germany.

But Italy's rate of subscriber growth has been impressive and the national figure is distorted by disparities between the still largely agrarian south and the industrialised north. The industrial regions have achieved the level of subscriber coverage associated with West Germany or France, while the south is on a par with Spain or Ireland.

While Italy still lags behind its OECD trading partners in infrastructure, the fact that Italtel and Telettra are able to contemplate a merger is proof of the advances by both companies.

The Italtel turnaround was accomplished under the leadership of Ms Marisa Bellisario, the Italtel managing director who arrived in 1981 when the Milan-based company made a $138m loss on $830m of turnover. Under the leadership of "La Bellisario," Italtel has shed 10,000 workers, reduced its debt and begun a return to profitability.

Last year Italtel made a L40.2bn profit on turnover more than double the 1981 level. In the first half of the current year, pre-tax profits more than doubled to L38.7bn.

Ms Bellisario's work at Italtel has consisted of reorganising product lines and marketing, introducing more automation and striking deals to spur the shift from electro-mechanical to digital technologies in public switching.

Chief among these agreements was a 1982 accord with GTE and Telettra to build a range of digital exchanges. The two main products to emerge from the agreement are the Linea UT switchboard exchange developed by Italtel and the GTD-5 developed by GTE.

Linea UT sales represent just over a sixth of total Italtel group turnover and as of August 1986 more than 220 Linea UT switches worth a total of 450,000 lines were in operation in the Italian telephone network. The Linea UT system is outfitted to handle voice, data, text and image transmission and will represent a key element of the future integrated services digital network (ISDN), which is supposed to become operational by the end of this decade.

Ms Bellisario's other significant inter-company alliance has been with Alcatel in France, Plessey in Britain and Siemens in West Germany. It is a four-way venture designed to co-ordinate research and standardisation of hardware and software among these European companies.

Both the GTE-Italtel-Telettra deal and the four-way research and standardisation agreement could be affected by this summer's agreement which will see Siemens taking 80 per cent of a new international venture with GTE and a second accord with France's CGE acquiring much of the European operations of America's ITT.

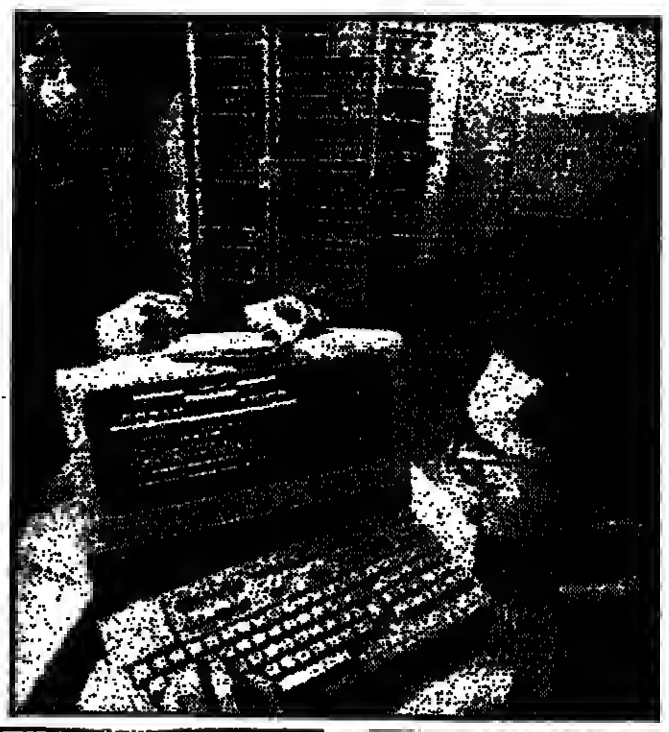
Ms Bellisario says that the GTE-Siemens deal, since it pools public telephone switching operations in Italy, Belgium and Taiwan, may lead to a revision of the GTE-Italtel-Telettra pact. But she is confident that the Italtel-developed Linea UT system will see her company through any hiccups resulting from the new GTE-Siemens deal.

Italtel was invited into the CGE-ITT deal, but Ms Bellisario declined, saying she saw little point in joining a deal which would not increase Italtel's market share and which would still leave the French selling the ITT 1240 digital exchange system, which she believes is far from being a winner.

"Why should we spend hundreds of millions of dollars for a 10 per cent minority stake in a consortium like this?" she asked.

Instead, in a move which perhaps will gain Italtel more in image than in substance, the company this September added its name to the list of companies (led by AT & T) which want to take over CGCT, France's second largest maker of public switching equipment. Italtel is not given much likelihood of succeeding, but the fact that the Italians felt able to make such a bid is remarkable when one considers the poor state of Italian telecommunications companies a few years ago.

**Alan Friedman**



Testing an Italtel digital exchange (top)
Marisa Bellisario, managing director of Italtel (right)

**Telecommunications Companies**

| | Sales | Profit | Personnel |
|---|---|---|---|
| Italtel | 1,228 | 42.1 | 18,840 |
| GTE Italia | 501 | 25.7 | 5,437 |
| Telettra (Fiat) | 475 | 20 | 4,715 |
| Fatme | 344 | 6.1 | 4,342 |
| Face-Standard | 323 | 12.8 | 3,987 |

## Chemicals

# Belated streamlining by top two

THE Italian chemicals industry has been going through a period of great change in the past four years. It is a period which has seen much restructuring and streamlining, albeit rather belatedly when compared to other chemicals industries in Western Europe.

When one speaks of the Italian chemicals sector, however, one is really referring to two main companies—the Milan-based Montedison and Enichem, the state-controlled business which is part of the ENI energy group.

Both Montedison and Enichem have been reducing their workforce, attempting new ventures on the international market and trying to rid themselves of the most costly and unprofitable bulk chemicals areas, which have been a drag on performance.

The single most important development over the past year has been the agreement between Enichem and Britain's ICI to merge loss-making vinyl chloride monomer (VCM) and polyvinyl chloride (PVC) operations in Europe. The merger creates a company with close to 25 per cent of the European PVC market, overtaking Solvay of Belgium in size to become Europe's largest producer.

ICI and Enichem spent 18 months negotiating the merger, which is being accomplished by setting up a 50-50 joint company, to be based in Brussels and known as the European Vinyls Corporation (EVC).

The deal represents not only a significant rationalisation of the European PVC industry, but an important step for Enichem, which will be able to eliminate 200,000 tonnes of excess capacity at Porto Marghera, near Venice, and Brindisi in southern Italy. Enichem is also expected to reduce its workforce by 1,000, and ICI by about 300.

The deal is a feather in the cap for Mr Lorenzo Necci, Enichem chairman, who since 1983 has been battling to put his group in shape. Enichem has been a chronic loss-maker in the past, but Mr Necci's work will this year see the first, tiny profit in 12 years. Last year its revenue was L7,074bn ($5bn).

The Enichem chief is convinced that by reorganising his company and "running it as a business rather than as an institution which must serve national requirements" he can continue the turnaround. His achievements fall into two categories: the textbook company turnaround measures which until recently were not possible in Italy, and the recognition of joint ventures on a European scale as a route to rationalising.

In 1983 Enichem had a total debt burden of L2,586bn. This has been brought down to L2,000bn and Dr Necci admits it must fall further. Short-term debt as a proportion of the total has been brought down from 71 per cent to 55 per cent. The workforce has dropped from 33,000 in 1983 to 29,500, of which more than 2,000 are on state-subsidised lay-off.

Dr Necci has increased the portion of business he does with the parent ENI group from 9 per cent to 18.5 per cent of Enichem turnover in the last three years. By last year the company had also more than doubled export receipts to L2,737bn, or 38.7 per cent of total revenues. Most Enichem trade is within Europe.

Because of overcapacity in the European industry, Dr Necci predicts that only a few "great companies will survive." He reckons the secret to success in chemicals is to "globalise" but admits that few companies in Europe have the clout to do so. The answer, therefore, is to rationalise through joint ventures, mergers and acquisitions.

Seventy per cent of the fine chemicals business in Italy (where there is the most value added per product) is in the hands of non-Italian companies. Enichem is thus planning more ICI-Enichem type deals. The company is negotiating in Europe on another joint venture, in the difficult field of polyethylene. It is thought that the other company is British, but Dr Necci is not willing to commit himself yet.

Enichem's weakness lies in the fact that it is saddled with a great deal of obscure technology and still spends little on research and development. The expected 1986 R & D expenditure will be a pitiful L150bn, or little more than 2 per cent of group turnover. Dr Necci says that is a tiny amount, but claims that it is difficult to increase research spending overnight.

Dr Mario Schimberni can take credit for having turned around the Montedison group, which is back in profit after years of losses. But his future strategy does not seem terribly keen on chemicals. He has been showing far more interest in taking his group into financial services, pension funds, insurance health care and other areas than in base chemicals, which today accounts for 32.76 per cent of the L14,100bn turnover.

When fine chemicals and health care are added to base chemicals these areas amount to 57.17 per cent of group revenues. But Montedison's total share of the Italian chemicals market, even as the market leader, is still only 18 per cent.

The Schimberni strategy has been, like Enichem's, to form joint ventures and make acquisitions. Montedison's 1983 agreement with Hercules, a leading US chemical company, to form the 50-50 Himont polypropylene venture, has proven successful.

But this year's tortuous negotiations in Stockholm to acquire Fermenta's biotechnology business ended in tears when Montedison withdrew its offer after accusing Mr Refaat El-Sayed, Fermenta's majority shareholder, of refusing to supply basic information on the company.

Montedison has completely restructured its man-made fibres business, slashing the workforce and reducing the number of product lines. The result has been a return to profit for Montefibre, the man-made fibres subsidiary, which last year made a L80.4bn net profit and reacquired its stock market listing.

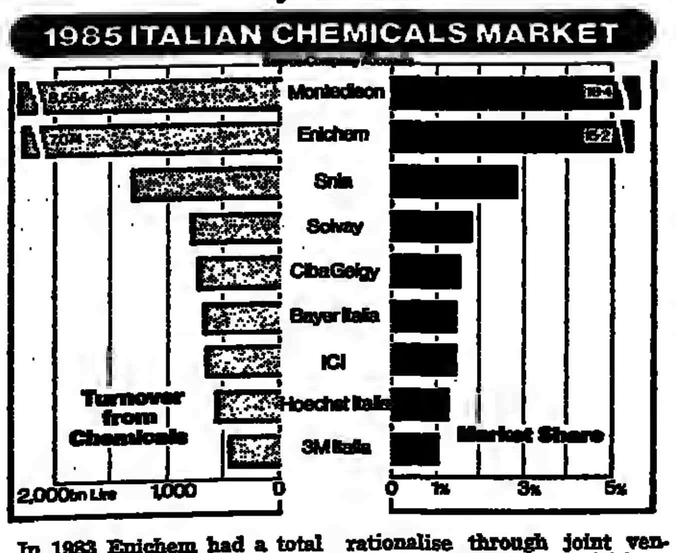
Montedison has recently been taken over by Mr Raul Gardini, the chairman and major shareholder in the Ferruzzi foods group. With a 22 per cent shareholding, Mr Gardini has effective control under Italian convention, but he has not indicated a desire to interfere.

It is possible to see both of Italy's major chemicals players embarking upon more international deals. The problem is that base chemicals remains a difficult area and neither Enichem nor Montedison can achieve major progress in the short-term.

The structure of the L46,000bn-a-year chemicals sector also works against any widespread rationalisation. Some 38 per cent of Italian chemicals companies are specialty producers or sub-contractors, with fewer than 100 employees. Another two-fifths of the industry consists of companies with fewer than 500 employees.

**Alan Friedman**

Lorenzo Necci, Enichem chairman (left), and Mario Schimberni, head of Montedison, have both looked for joint ventures



## Risk of a step backward

CONTINUED FROM PAGE 1

While Mr Prodi will have to continue nursing the walking wounded back to some kind of health, his profit centres are expected to be aerospace, electronics and telecommunications.

The virtues of greatly reducing the size of the state sector are discussed in Italy, but there are no signs emerging of a privatisation exercise comparable to that being pushed through by Britain's Conservative Government or even the new French administration.

It has advocates in the small Liberal Party and some factions of the Christian Democrats and there are many more in industry and business. However, the stronger popular consensus rather unfashionably holds that the state needs to have control and management of "strategic" sectors of the industrial economy.

In spite of Mr Prodi's efforts, IRI could still endure a lot of slimming before this concept was threatened. SME was correctly identified by the IRI chief as non-strategic, but his efforts to dispose of it were thwarted by politicians anxious to preserve and protect their clients and power.

A similar story of sensible reorganisation rather than privatisation is evident in the aerospace sector, frustrated by political considerations distant from the needs of the businesses.

Political interference in industrial matters is not peculiar to Italy. Most European governments want state companies to be in hands which are at least neutral in party political terms and broadly sympathetic to the administration's strategies. However, the game is played elsewhere with rather more transparency than in Italy, so responsibility for success or failure can be more accurately attributed.

In fact, the "old Italy" is much more to the fore in relations between government and industry in both the private and the public sectors. There is nothing unusual in Europe about businessmen putting their money and power to political use, but in Italy the process is impossibly subterranean and quite improperly obscure.

Motor Industry

# Fiat scores Alpha in marriage test

ITALIANS like being at the centre of events, especially those that boost their national self-esteem.

For the past year their two main car makers, Fiat and Alfa Romeo, have been courted by the two US giants, Ford and General Motors, in a way that suggests to Italians that they are at the heart of future developments in the European motor industry.

But it is axiomatic that courtships often involve difficult decisions and choices, as both the Italian Government and its motor industry have discovered.

The options available involve costs as well as potential advantages, and the most difficult of all is the option which surrenders some degree of Italian corporate autonomy to a foreign partner. Thus the Ford-Fiat talks on a strategic partnership foundered earlier this year, in the words of the Fiat chairman, Mr Gianni Agnelli, "because neither of the two potential partners was ready to give up the idea of being in command."

The threat to Italian autonomy posed by a foreign investor has been crystallised sharply by the subsequent rivalry between Fiat and Ford for control of Alfa Romeo.

When the final decision in favour of Fiat was announced last week by IRI-Finmeccanica, the state holding group which owns Alfa, there was an understandable tone of irritation in Ford's response. Mr Alex Trotman, Ford of Europe's president was at pains to emphasise that Ford had been approached by IRI as a possible acquirer of Alfa.

Ford had put several months of work into evaluating the prestige, but struggling, Italian car company which has not made a profit in 13 years. Fiat then stepped in with a counter-bid less than two weeks before the deadline for an IRI decision. The quality of the Turin group's proposals suggests that it was very keen to be seen to carry off the prize on the merits of its bid and without any suggestion of backroom lobbying by the powerful Agnelli family.

Although full details of the Ford offer are not known, it is fairly clear that Fiat's was superior in a number of respects. One was that its bid was for full ownership of the entire Alfa company, embracing the commercial vehicles subsidiary and the Nissan joint venture at the Arna plant, whereas Ford wanted just the car company.

Secondly, Fiat's financial proposal immediately relieved IRI of any financial obligation apart from writing off a sizeable chunk of Alfa's debt. Ford offered to buy 19.5 per cent of the company with an option on 51 per cent after three years. IRI would, therefore, have had to share Alfa's losses of an estimated L500bn by 1990. Fiat, moreover, has assumed responsibility for L700bn of Alfa's bank debt.

Finally, Fiat's undertakings on employment were more specific than Ford's. Turin is planning a 6,000 cut in Alfa's 34,000-strong workforce, mostly to be achieved through natural wastage and early retirement. Ford was less specific, saying that its aim was a level of employment comparable to European standards of productivity.

Having won Alfa, Fiat intends that the acquisition should be a significant strategic development, signalling an attempt to reduce its dependence on basic, modestly powered, family saloon cars.

Although the company is doing extremely well financially —its profits this year will be comfortably ahead of last year's L2,267bn—Fiat executives say that they are feeling the growing pressure of Japanese competition on profit margins.


Gianni Agnelli, Fiat chairman, proved unwilling to link with Ford

This is not true of the Italian market, in which Fiat as a whole is selling more than 900,000 vehicles. Although it sounds like a fable, the truth is that in 1954 the Japanese Government sought a bilateral agreement limiting exports of Italian vehicles to its domestic market — in return for which it promised to keep sales by Japanese companies below 3,000 units a year.

So it is that the Japanese have seized 11 per cent of the Western European car market without making any impression in Italy.

But Fiat is selling more than 400,000 cars in Europe outside Italy, and, in common, with other manufacturers, it is feeling the Japanese pinch. Apart from the purely defensive purpose of keeping a strong rival like Ford out of its own backyard, the Alfa Romeo strategy aims at strengthening its penetration of the medium to high performance car market where profit margins are much higher.

Fiat's confidence in its ability to achieve this has been enormously boosted by the recent success of its Lancia marque, in particular, the Lancia Thema. A fast and stylish model, the Thema has been such a success that Fiat's share of the quality car market in Italy in the first nine months of this year rose from 48.2 per cent to 53.9 per cent.

At 95,000 units, total demand in this sector in the nine months was only 5,000 fewer than for the whole of last year.

With this success achieved, and a European market for more expensive cars which, it believes, will grow from 1.7m to 2m vehicles by 1990, Fiat would create a new concern around the Lancia and Alfa Romeo marques. With a total investment of up to L8,000bn by 1991, Fiat would renew almost the entire Alfa Romeo range, raise its total output from around 180,000 cars to 390,000 while retaining and developing Alfa Romeo's engine production capacity.

The plan requires the new company to sell about 60,000 cars a year in the US by 1991, which may be something of a tall order. Alfa Romeo has gradually returned to the US market this year with about 5,000 sales but to reach Fiat's targets both Alfa Romeo and Lancia would have to overcome unfavourable memories among US buyers of poor quality and reliability.

They would also have to loosen the firm grip on the US quality market of the West German marques Mercedes and BMW, which together sell 80,000 vehicles there. Fiat executives say that they are not underestimating the task in the US or in Europe, where the new Alfa-Lancia marque would have to take about half of all the growth in the market by 1991. Another powerful competitor in the US market for bigger quality cars is, of course, Jaguar.

Ford's strategic interests in acquiring Alfa Romeo were similar to those of Fiat. The US company needs to strengthen its position at the quality end of the market and to change its image as a producer of good, reliable but rather stolid vehicles.

It may not be too fanciful to see the rivalry over Alfa Romeo as a continuation of the failed merger talks between Ford and Fiat. Every expert forecast points to a reduction in the number of European car makers over the next 10 to 15 years. The companies are jockeying for position to ensure that they can negotiate from strength when new alliances need to be made.

Fiat will have to turn the Milan-based company around before the acquisition can be transformed into new market power. Much progress has been made under Italy's "company doctor," the managing director Mr Giuseppe Tramontana. But much remains to be done, particularly in re-equipping the two factories and developing new models.

**John Wyles**


Fiat's confidence that it can increase penetration of the high-performance market with Alfa has been strengthened by success with the Lancia Thema





Steel

# EEC restructuring raises hackles

IN THE SUNLIT foothills of tha Italian Alps around Brescia, where the birdsong is drowned in the rumble of steel mills, the drab anonymity of the EEC Council of Ministers building in Brussels seems every inch of 700 miles away.

Yet it is as nothing compared to the much greater distance between attitudes. For the past nine years politicians and bureaucrats in Brussels have struggled to negotiate and to implement e restructuring plan for the Community'a steel industry which would bring capacity much closer into line with demand and put a smaller and more compact group of companies back on tha road to profit.

Among the Bresciani, a self-confident and enterprising community of small producers, there are those who believe that the entire exercise has been largely about halting the development of the Italian steel industry.

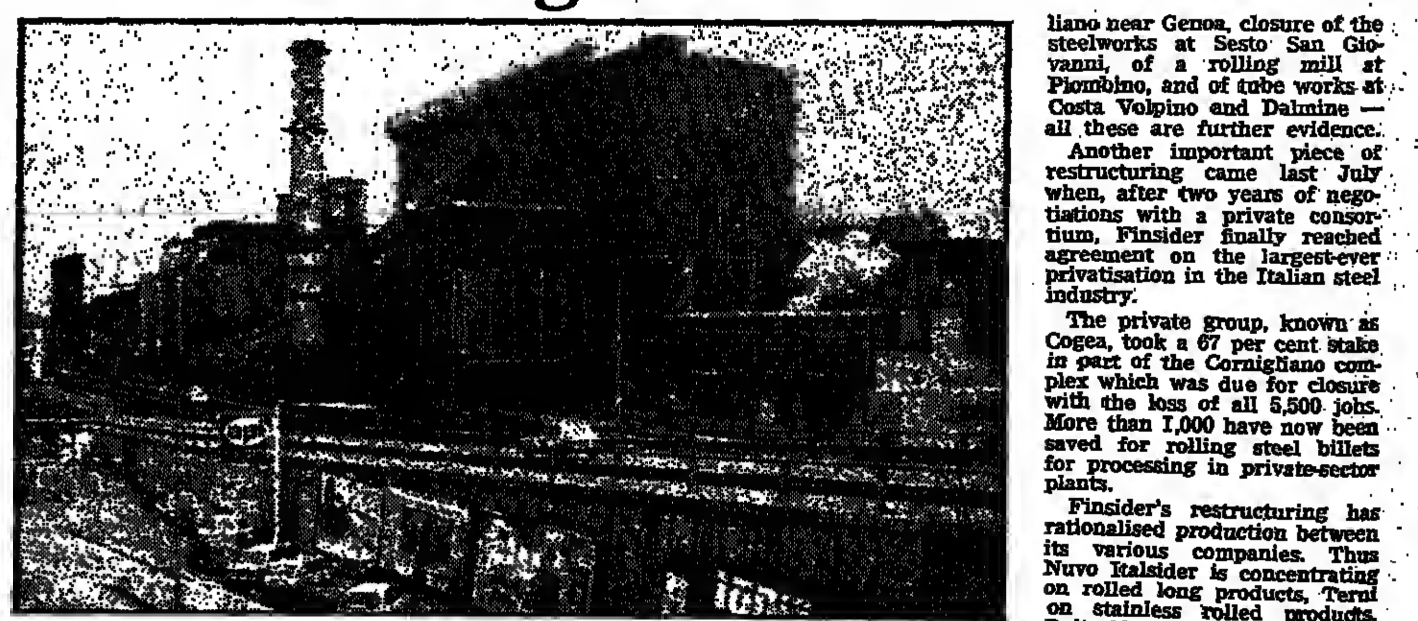
The 52 Bresciani steel companies are only too eware of the existence of a large publicly-owned integrated sector which accounts for 56 per cent of crude steel output. When they talk of the Italian steel industry they are referring to its true heart, which, they believe, beats to the rural east of Milan on the road to Verona and Venice.

Producers such as Mr Lucio Bellicini, one of five brothers who run Nuovasider Camuna at the northern end of Lago d'Idro, argue that controlled prices and production quotas have seriously penalised the efficient Bresciani and that the Brussels regime has been far too benign in its tolerance of Government subsidies.

Nor, says Mr Bellicini, whose ruddy complexion and stocky build suggests more of a farming than e steelmaking background, is the Community steel policy actually focusing on the most urgent question of the day.

"Our home market is being flooded by imports and no action is being taken. At the same time, the Bresciani can't export because we are up against Third World countries which are subsidising their sales," he says

While Mr Bellicini appears to enjoy painting the darkest possible picture of his company's problems (though it has not ceased to be profitabla, be insists) the evidence of other Bresciani and of the latest statistics confirm a worsening of harshly competitive conditions at home and abroad.


The axe has been wielded over many steel jobs to cut output

At Lonato, 20 miles east of Brescia, the management of Feralpi is still exporting 40 per cent of its output of wire rod and other long products, although three years ago the proportion was several percentage points higher. As a group, the Bresciani export 12.7 per cent of their output.

Mr Armando Fantinelli, a Feralpi director, claims that the Davignon plan (the restructuring programme named after the former EEC Commissioner) has "penalised Italian companies which were the most technologically advanced. Because of imports, the market is now very disturbed. I have naver seen it like this before."

He is not alone in his anxieties and Italian companies are backing Eurofer, which groups EEC producers' associations, in its attempt to prompt the European Commission into recommending tougher action against steel imports.

Imports into Italy in the first half of this year rose 25.7 per cent to 2.92m tonnes while exports fell 6.2 per cent. The situation in tha flat-rolled products market—in which the Italian state sector specialises —is especially serious. Imports jumped 28 per cent in the first half and the trada deficit in these products rose from 453,000 tonnes to 792,000 tonnes.

Long products imports—largely a private sector domain —were close to 20 per cent higher while exports were down 12 per cent. The trade balance here has fallen from a surplus of 757,000 tonnes last year to 465,000 tonnes. Italian steel output by the end of August was 4 per cent down on the same period last year at 15.21m tonnes.

The seriousness of the foreign imports situation may well threaten the hopes of Finsider, the state steel group, of making important progress towards its break-even point.

Finsider, part of the IRI group and under pressure from the EEC requirement eliminating almost all state subsidies from the beginning of this year, has been dragging itself back towards financial respectability over the past two years after a record L1,600bn loss in 1984.

The first six months' losses this year, L330bn, were half the deficit for the same period last year. But the group's hopes of moving into profit next year are being dampened by the falling dollar and import pressures. Ominously, its turnover is down 6.5 per cent and its first-half output 2.6 per cent.

Over capacity everywhere and a fall in Italian steel consumption from its peak of 26.5m tonnes in 1980 to around 21m tonnes has forced the world's third largest steel group towards radical surgery.

The Italian industry as a whole was reluctant to get to grips with the necessary restructuring in the early 1980s, largely through fear of the consequencea in increased unemployment.

This delay partly explains why Finsider is lagging behind the British Steel Corporation, Thyssen and Krupps of West Germany and Hoogevens of the Netherlands, which have all returned to profitability.

Statistics suggest that the Italian steel industry as a whole has cut 4.6m tonnes away from its 1980 capacity of 36.2m tonnes. But the actual figure may be a little less if the anecdotal evidence offered by Bresciani producers is correct about the volume of new capacity which has been slyly brought into use in the private sector.

But there is no doubt about tha effects of the axe wielded at Finsider in the past three or four years, nor the steps taken to modernise and raise productivity. The Taranto works of Nuova Italsider have been technologically improved and the same company's new works at Bagnoli, near Naples, have been partly started up, though this coil producing plant can only operate at half capacity because of EEC quotas. Its losses are currently running at L1bn a year.

A substantial closure of the huge integrated plant at Cornigliano near Genoa, closure of the steelworks at Sesto San Giovanni, of a rolling mill at Piombino, and of tube works at Costa Volpino and Dalmine — all these are further evidence.

Another important piece of restructuring came last July when, after two years of negotiations with a private consortium, Finsider finally reached agreement on the largest-ever privatisation in the Italian steel industry.

The private group, known as Cogea, took a 67 per cent stake in part of the Cornigliano complex which was due for closure with the loss of all 5,500 jobs. More than 1,000 have now been saved for rolling steel billets for processing in private-sector plants.

Finsider's restructuring has rationalised production between its various companies. Thus Nuvo Italsider is concentrating on rolled long products, Terni on stainless rolled products, Deltasider on carbon and special-steel rolled products and Dalmine on tubes.

At Bagnoli's coils plant little relief seems in sight following the breakdown of talks with Falck, the largest private steel company, on a quota-swapping arrangement.

According to Finsider, some 3.8m tonnes of capacity were closed between 1980 and 1985 and around 43,000 jobs lost, leaving a workforce of 85,000, although the group is now reported to be thinking of cutting a further 15,000 jobs.

Meanwhile, productivity has risen from 8.5 man-hours per tonne of hot steel to 5.2. The group's balance sheet remains heavily burdened with debts of L9,500bn, however.

Faced with the European Commission'a pressure for the elimination of more quotas, Finsider is arguing that the going is still too rough for further liberalisation of the market. Private steelmakers such as Luigi Lucchini take a different view and the president of Confindustria is urging an early return to a free market for long products.

This difference of view reflects the traditional schism between the enterprising and profitabla private sector specialising in long products and the state sector struggling to make e profit out of rolled steel. Finsider executives are now talking of the need for closer co-operation between private and public enterprise.

**John Wyles**